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Contributions to books
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

Journal and other articles
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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Online resources
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- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on February 17, 2011 http://epw.in/epw/user/viewabstract.jsp

A STUDY OF RETURN, LIQUIDITY OF SECTORAL INDICES, MARKET INDEX RETURN OF INDIAN FINANCIAL MARKET (BSE)

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ABSTRACT
Market return represents the total return of the market index. It is found that performance of the few sectoral indexes is very high compared to the market index return. This study finds the variance in all sectoral indices and the market Index (BSE) return and illustrates the significance of the individual sector performance and their impact upon on the market index returns. The paper has also explained the liquidity of the sectoral indices and market index on the basis of price returns by calculating market efficiency coefficient. The paper find that the sensex returns can be explained with the help of selected sectoral index returns. The study is carried out in different phases and has found significant difference with inclusion of power and realty sector. It is the time lag which increases the model fit and inclusion of realty and power indices returns also increase of fitness in ARIMA model. This paper exemplify that forecasting of the sensex returns with help of differenced first order regressive method provides better results. The peculiar observations reveal that health and consumer durable indexes are earning against the market index returns, whereas Technology, oil, Capital goods and banking remained the main contributors to the overall market index returns. GARCH models illustrate that lower volatility clustering involved with the presence of the realty and power sectoral indices. The liquidity measured on the basis of Market efficiency coefficients (MEC) have provided that the sectors like health care, consumer durables and the auto sectoral indices have high long term variance in the returns where as oil and gas sector have lower value. It is found that all sectoral indices of BSE have more than one as MEC, indicating the higher long term variance than short term variance of sectoral indices.

KEYWORDS
Liquidity, Financial, BSE, Return, Index.

INTRODUCTION
This paper is an attempt towards the understanding of the variance of returns of sectoral index returns in relation with the BSE (Bombay Stock Exchange) sensex returns (BSE is a leading stock exchange and hence took as proxy for Indian financial market). At the same time Explain ability of the sensex returns with help of aggregated sectoral indices returns.

The various indexes considered are auto, banking, technology, oil, health, consumer durables, capital goods, FMCG, Metal in the phase one and the second phase realty and power sector indices are also added. Major of the studies have been done on the sectoral returns with respect to the diversification and optimum portfolio management. Hence there has a necessity for the understanding the characteristics of the sectoral returns as individual and combined with respect to the market returns. The data of sectoral returns were taken from the Bombay stock exchange (a leading stock exchange present in India) defined indices as these indices are regularly adjusted by the BSE whenever there was requirement for the appropriation on the basis of market capitalization. This provided the data that is better refined than an individual selecting few organisations representing the industry.

LITERATURE SURVEY
The sectoral study related with the diversification and the optimum portfolio management have been the interested area for the researchers from many decades. However the studies of sectoral returns as individual have been scarce.

Studies are focussed on the diversification of portfolio either by divesting in the different sectoral indice in the same market or by divesting in different markets in the same sectoral indice. Meric, Ratner, & Meric (2008) found that the global diversification in the bull market of same sector is better than diversification in an individual market with different sectors. Especially in the bear market all sectors in the local market are correlated and hence global diversification would provide a better returns. Demirer & Lien (2005) works on the understanding of the correlation between the different sectoral related with market movement in either direction. The studies finds that the sectoral correlation is higher in the upside movement market. Only for finance sector had the strong correlation in the down side market in the context of china markets. Where as in USA the sectoral indices had the correlation with the market in the down side movement and these correlations became very strong in the time of the extreme movements. Wang, Kutan, & Yang (2005) authors have worked with the information of the Chinese stock markets. The authors found that there is higher dependence of stock exchanges on each other for the information. At the same time it has also been found that there was constant reflection on the prices of one sector depending on the information of the other sector. Industry sector is found to be most integrated with the impact on each other due to the information flow and the finance sector could stay alone or indifferent to the other sectors information.

Shengying Li authors have worked on the sectoral exposure on the portfolio to any specific risk factor, and building the optimum portfolio optimization or understanding the risk management. You & Daigler (2010) argues that the correlation on the basis of simple constant correlation ship in designing of the diversification portfolios is at error. Instead the consideration of the dynamic changing nature of the correlation between the different indexes in the markets of world would provide a better analysis. Using of the conditional correlation, eventual tail risks, skewness and the standard deviation analysis says that there is a diversification benefit. However the tradeoff exists in between the variance and standard deviation analysis. Joseph (2003) works on the data of the stock markets of US, Forex and interest rate changes impact on the stock market index returns. It has been found that there is no impact of the Forex and interest rate changes on the stock market returns generation. However the variance in the sectoral indices were influencing in the future performance of themselves.

Malik & Ewing (2009) study focuses on the weekly returns for fifteen years data on different sector movements and the transmission of volatility. Study successfully found the relation between the different sectors. At the same time it is found that in the oil shocks the volatility was transmitted to other sectors. That is volatility of one sector had influenced the volatility on dependent sectors and hence the studies with respect to the sectoral interdependencies needs to undertaken so decrease the risk and build the diversified portfolio. Kallberg & Pasquariello (2008) authors have done analysis on the 81 sectoral indices of the US market and had found there has been large correlation between the excess movements in the sectoral indices. That is there is significant impact between each other in the movement. However there is weak asymmetric that is all indices were significant in movement in a single direction. US monetary and real situations had a positive correlation where as short term interest rates had generated a negative correlation for the sectoral excess square correlations. Patra & Poshakwale (2008) have worked on the sectoral indices data of the Athens stock exchange. It has been found there has been lower relation in the sectoral returns in the long term. However there was significant impact of the banking sector on the other sector indices returns and variance. This paper suggests the changes and information of the banking sector could be used in order to predict the returns of the other sectoral indices in short term. Lafuente & Ruiz (2004) have worked on the data of the Spanish new market index. The paper focuses on the returns versus volatility of the sectoral indices. It has been found that there is significant impact of the volatility of the new market index on the other sectors like financial, industrial etc. However only industrial sector expects the higher risk premium especially when global shocks in technological sectors.

Mazouz & Saadouni (2007) authors work on the FTSE 100 index. Authors have employed GARCH and residual variance of the single index model in order to understand the liquidity characteristics in the time of index revision. It has been found that the added or deleted stocks have reflected the permanent change in terms of price and volume. McMillan & Kambouroudis (2009) have worked with the GARCH and APARCH models in determining the forecasted values for the risk parameters in the G7 and the Asian countries. They could find that these models provided superior prediction compared to VAR forecasting methods. Groenewold, Kan Tang & Wu (2008) authors have worked with the regression models for the forecasting and could provide returns in between 2 and 11 in the shangai market. They had used the recursive estimation procedure for the forecasting equation.

The studies by Chakrabarti, Huang, Jayaraman, & Lee (2005) have worked on the liquidity effect on the stock due to getting added into the sectoral indices. It has been found that on the basis of returns and volume analysis that there was increase in the liquidity and return generation. The work was done on the MSCI indices. However there was decrement in the liquidity in the stocks when they were deleted from the sectoral index. Hegde & McDermott (2003) works on the S&P 500 index firms. It has been found that the results were in concurrence in the previous studies. That there was an increment in the liquidity of the stocks, which were either included or deleted in from the stock index. This is due to the change in the information flow of the organisation depending on the membership in the index. At the same time decrement in the transaction costs would also increase in the liquidity once forms the stock of the sectoral index. Johnson (2008) author has specified that there was no relation between the liquidity and the volumes of the financial assets. However there is a strong relation of the volume on the variance of the liquidity of financial stocks.

Lybek & Sarr (2003) authors have worked on the measurement of the liquidity of the market indexes across the globe. The liquidity measure were categorised into four categories that are on the basis of transaction costs, volume based, price based and market impact measurements. The paper has focussed on significance on the liquidity of the markets over the liquidity of the individual financial assets. The Market efficiency coefficient is used in the understanding of the liquidity of the market on the basis of price returns. Park, Rhee, & Shin (2006) authors uses the Market efficiency coefficient in understanding the characteristics of the liquidity characteristics of the short term and long term bonds. It has provided the better understanding of the liquidity characteristics especially in terms of short term and long term variance.

RESEARCH OBJECTIVES

To understand the variance of the sectoral indice and market index in terms of returns. Then in the further process is to analyze the impact of mutual influence between the any two sectoral index returns and on market index return. Finally to understand the liquidity impact of sectoral indices return on the market index return.

METHODOLOGY

The weekly returns data has been collected for the twelve sectoral indexes of BSE available along with BSE sensex.

The step wise multiple regression analysis is undertaken in two phases.

First phase consists of the data for ten sectoral indexes and sensex returns for a period of past five years. The period starts from 3rd December 2004 to 25th February 2010. Both realty and power sector indexes were not undertaken.

The regression equation considered in phase 1 is

Sensex returns = a* Auto Index returns +b* Oil Index returns + c* Metal Index returns + d*Capital Goods Index returns + e* Consumer durables Index returns + f* Information Index returns + g* Health Index returns + h* Technology Index returns + I* Banking Index returns +J* FMCG Index returns +constant

Second phase consists of the data from 16th November 2007 to 25th February 2010. Here all the sectoral indexes were included. Indexes of power and realty were formed in November 2007 (appendix).

The regression equation considered in phase 2 is

Sensex returns = a* Auto Index returns +b* Oil Index returns + c* Metal Index returns + d*Capital Goods Index returns + e* Consumer durables Index returns + f* Information Index returns + g* Health Index returns + h* Technology Index returns + I* Banking Index returns +J* FMCG Index returns + k* Power Index returns + l* Realty Index returns +constant

Multi-Collinearity test was also undertaken.

Forecasting through ARIMA was undertaken at a lag of one period to understand the influence of sectoral indexes past returns on the present sensex returns. Both the random walk method and single first order differentiated auto regressive equation to forecast the sensex returns. GARCH modelling has been undertaken to understand the volatility of the indices and its impact on the market return.

Market efficiency coefficient (MEC) is calculated to understand the liquidity characteristics of the each sectoral indice and market index. At the same time the impact of the liquidity of sectoral indice on the liquidity of the market index. Especially with the inclusion of the real and power sectoral index.

MEC = variance of the long term returns / (n * variance of the short term returns)

n= number of short terms in one long term

The short term considered in this study is a week and long term consists of four weeks.

DISCUSSION

The first regression was conducted on the ten sectoral index data and the following resultant table were obtained from the PASW.

TABLE I: REGRESSION ANALYSIS STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND 10 SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
8	.993[h]	.986	.985	.0048194	2.191

TABLE II: COEFFICIENT OF REGRESSION ANALYSIS STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND 10 SECTORAL INDICES RETURNS AS INDEPENDENT VARIABLES

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
8(Constant)	.000	.000		-1.573	.117		
OilGas	.234	.012	.274	20.083	.000	.293	3.417
Bankex	.190	.009	.267	19.981	.000	.306	3.270
Teck	.271	.013	.260	21.010	.000	.356	2.812
CapitalGoods	.143	.012	.187	12.454	.000	.242	4.135
FMCG	.093	.012	.078	8.084	.000	.582	1.719
Metal	.047	.009	.075	5.043	.000	.245	4.078
Consumer	-.036	.009	-.049	-4.119	.000	.381	2.627
Auto	.045	.013	.048	3.455	.001	.285	3.504

Table I provides the information of the regression model and the explain ability. The high R square value indicates the fitness of the model and coefficients of independent variable in the regression equation can be considered for the further analysis. R-Square is 98.6% and the fit of the model is good and the Durbin Watson Value 2.191 represent no serial correlation and no auto correlation in the data. Table II provides the coefficients of the each sectoral indices return and their significance of impact upon the market return. It can be observed that Consumer durables index have a negative coefficient which can be interpreted as the reverse earners to the sensex returns. Technology, oil, capital goods and bank indexes provides a major contribution to the sensex returns. That is the coefficient beta of these sectors reflects the same information. The co-linearity is very low between the all the sectors.

However the Metal and FMCG indices returns have a lower significance on the market index return. Whereas, Infotech and Health care sectoral indices return have been excluded from the regression equation specifying their irrelevance on market index performance.

TABLE III: REGRESSION ANALYSIS LOGARITHMIC STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND 10 LOGARITHMIC SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
8	.993[h]	.986	.985	.0048092	2.178

TABLE IV: COEFFICIENT OF REGRESSION ANALYSIS LOGARITHMIC STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND LOGARITHMIC SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
8(Constant)	.000	.000		-.662	.509		
LnCapitalGoods	.148	.012	.191	12.656	.000	.236	4.246
LnOilGas	.230	.012	.269	19.648	.000	.288	3.476
LnTeck	.269	.013	.259	20.900	.000	.352	2.840
LnBankex	.192	.009	.269	20.187	.000	.305	3.284
LnFMCG	.095	.012	.079	8.177	.000	.574	1.742
LnMetal	.044	.009	.071	4.755	.000	.242	4.130
LnConsumer	-.037	.009	-.050	-4.159	.000	.372	2.685
LnAuto	.047	.013	.050	3.621	.000	.288	3.472

Regression is conducted on the logarithmic returns of ten indices considered with logarithmic market index return considered as the dependent variable as in the Table III. R-Square is 98.6% and the fit of the model is good and the Durbin Watson Value 2.178 represents no serial correlation and no auto correlation in the data.

From the Table IV it can be observed that Consumer durables index have a negative coefficient which can be interpreted as the reverse earners to the sensex returns. Technology, oil, capital goods and bank indexes provides a major contribution to the sensex returns. That is the coefficient beta of these sectors reflects the same information. The co-linearity is very low between the all the sectors. However the Metal and FMCG indice have a lower significance on the market index return. Whereas Infotech and Health care indices are again excluded from the regression equation specifying their irrelevance on market index performance. It can be safely concluded that the results are same across both the logarithmic returns and normal return regression equations.

TABLE V: REGRESSION ANALYSIS OF STOCK MARKET RETURNS (BSE) AS DEPENDENT VARIABLE AND 12 SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
8	.995[h]	.991	.990	.0049564	2.311

TABLE VI: COEFFICIENT OF REGRESSION ANALYSIS STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND 12 SECTORAL INDICES AS INDEPENDENT VARIABLES

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
8(Constant)	.000	.000		-.945	.347		
Bankex	.199	.014	.278	14.400	.000	.227	4.414
OilGas	.258	.016	.304	16.361	.000	.244	4.104
Teck	.261	.016	.248	15.897	.000	.347	2.879
CapitalGoods	.152	.018	.191	8.531	.000	.168	5.963
FMCG	.110	.018	.078	6.236	.000	.533	1.876
Metal	.064	.013	.104	4.783	.000	.178	5.617
HealthCare	-.063	.021	-.045	-3.035	.003	.392	2.551
Consumer	-.033	.014	-.043	-2.399	.018	.266	3.753

Regression is conducted on the returns of twelve indices (power and realty sector included) considered with market index return considered as the dependent variable as provided in the Table V. R-Square is 99.1% and the fit of the model is good and the Durbin Watson Value 2.311 represents no serial correlation and no auto correlation in the data but successive error terms could be negatively correlated.

Consumer durables and Health care indices have a negative coefficient which can be interpreted as the reverse earners to the sensex returns. Technology, oil, capital goods and bank indices returns provides a major contribution to the sensex returns. That is the coefficient beta of these sectoral indices return reflects the same information. The co-linearity is very low between the all the sectors. However the Metal and FMCG indices returns have a lower significance on the market index return. Whereas Infotech, Power, Realty and Auto indices are again excluded from the regression equation specifying their irrelevance on market index performance as observed in Table VI.

Durbin Watson value increases with the inclusion of the two new indexes which could be said as the inclusion of power sectoral index returns explains the sensex return better than without its presence.

On the basis of three previous models the following points could be directly interpreted:

- Different sectoral index returns have varying impact on the market index return
- Health care, consumer durables have providing the negative contribution towards the market index returns.
- Bankex, Oil & Gas, Technology and Capital Goods sectoral indices have been leading contributors towards the market returns.

- Infotech Index return has been irrelevant for the explain ability of the market index return
- Inclusion of power and realty sectoral indices have increased the fitness of model at the same time increased D value, that is introduced negative correlation in the successive error terms

The regression test has been conducted with Market index BSE as dependent variable and each sectoral index as the independent variable.

Equation: BSE_return = a + b * (sectoral_return)

Where:

- a is constant
- b is coefficient of variable
- BSE_return is market index return
- sectoral_return is sectoral index return

The regression testing has been conducted for all the ten sectoral indices individually and there results are tabulated as in Table VII.

TABLE VII: REGRESSION ANALYSIS STOCK MARKET RETURN (BSE) AS DEPENDENT VARIABLE AND EACH SECTORAL INDEX RETURN AS INDEPENDENT VARIABLE IN EACH MODEL

S.No:	Industry Index	R Square	Standardized Coefficient of Variable	Durbin Watson test Value
1	Auto	70.10%	0.838	2.016
2	OilGas	78.50%	0.886	2.236
3	CapitalGoods	78.20%	0.884	2.219
4	Teck	73.40%	0.857	1.985
5	Infotech	46.70%	0.683	1.898
6	HealthCare	50.30%	0.711	2.156
7	FMCG	42.20%	0.649	2.121
8	Bankex	77.90%	0.883	1.964
9	Metal	75.00%	0.866	2.438
10	Consumer	54.60%	0.739	2.254

The following are the vital observations from the testing:

- Oil & Gas, Capital goods, Bankex, Technology could explain the market index return better than the other sectoral index returns
- Metal as an individual has better coefficient than as a group member
- Consumer durables, Health care, Infotech and FMCG has a lower explain-ability of the market index return in concurrence with the previous results
- Auto as an individual index explain the sectoral return but plays a ambiguous role in group member.

ARIMA (Auto Regressive Integrated Moving Average) Modelling

ARIMA modelling is undertaken to understand the ability to forecast the returns on the basis of the movement of the sectoral index returns. It has been conducted in the two broad categories. That is ARIMA (0,1,0) - Random walk model and ARIMA (1,1,0) - Differenced first order auto regressive model

TABLE VIII: RANDOM WALK MODEL ANALYSIS OF 10 SECTORAL INDEX RETURNS W.R.T MARKET INDEX RETURN
MODEL 1 STATISTICS ARIMA (0,1,0)

Model	Number of Predictors	Model Fit statistics		Ljung-Box Q(18)			Number of Outliers
		Stationary R-squared	R-squared	Statistics	DF	Sig.	
BSE-Model_1	10	.533	.046	36.102	18	.007	0

The Table VIII presents the information of the random walk model analysis of sectoral index returns w.r.t market index return. This table is generated on the basis of 10 sectoral indices with 5 years data availed. Random walk method generated very low R square value for the model stating that the precision of forecasting of sensex returns is very low.

TABLE IX: DIFFERENCED FIRST ORDER AUTO REGRESSIVE MODEL ANALYSIS OF 10 SECTORAL INDEX RETURNS W.R.T MARKET INDEX RETURN
MODEL STATISTICS ARIMA (1,1,0)

Model		Model Fit statistics		Ljung-Box Q(18)			
	Number of Predictors	Stationary R-squared	R-squared	Statistics	DF	Sig.	Number of Outliers
BSE-Model_1	10	.557	.094	19.860	17	.281	0

The Table IX presents the information of the Differenced first order auto regressive model analysis of sectoral index returns w.r.t market index return. This table is generated on the basis of 10 sectoral indices with 5 years data availed. Differenced first order auto regressive model generated very low R square value for the model stating that the precision of forecasting of sensex returns is very low.

TABLE X: RANDOM WALK MODEL ANALYSIS OF 12 SECTORAL INDEX RETURNS W.R.T MARKET INDEX RETURN
MODEL STATISTICS ARIMA (0,1,0)

Model	Number of Predictors	Model Fit statistics		Ljung-Box Q(18)			Number of Outliers
		Stationary R-squared	R-squared	Statistics	DF	Sig.	
BSE-Model_1	12	.567	.099	37.942	18	.004	0

The Table X presents the information of the random walk model analysis of sectoral index returns w.r.t market index return. This table is generated on the basis of 12 sectoral indices (inclusion of realty and power indices) with 2 years data availed. R Square is still on lower end that is stating model has lower fitness to the model.

TABLE XI: DIFFERENCED FIRST ORDER AUTO REGRESSIVE MODEL ANALYSIS OF 12 SECTORAL INDEX RETURNS W.R.T MARKET INDEX RETURN

MODEL STATISTICS ARIMA (1,1,0)

Model		Model Fit statistics		Ljung-Box Q(18)			
	Number of Predictors	Stationary R-squared	R-squared	Statistics	DF	Sig.	Number of Outliers
BSE-Model_1	12	.617	.203	24.106	17	.117	0

The Table XI is generated with the help of the 12 sectoral indices for a period of two years. With the inclusion of the power and realty index has increased the fit of the model. That is the R square has increased. ARIMA (1,1,0) differenced first order auto regressive model. The inclusion of the power and realty sectoral indexes has increased the R square value in ARIMA (1,1,0) and the R Squared value has increased from the random walk method. This says that with the sensex returns could be forecasted with the help of the one period lag historic data. With help of the ARIMA models sensex returns could be forecasted for the next period using the previous period data of the sectoral index returns effectively when all the twelve sectoral indices returns are considered.

GARCH (GENERALIZED AUTOREGRESSIVE CONDITIONAL HETEROSKEDASTICITY) MODELLING

GARCH (1,1) test is undertaken to understand the variance of the individual sectoral index and its impact on the market index return.

$$h_t = \alpha_0 + \sum_{i=1}^{q} \alpha_i \varepsilon_{t-i}^2 + \sum_{j=1}^{p} \beta_j h_{t-j}$$

Is the equation format used

MODEL 1: GARCH, USING OBSERVATIONS 1-272

Dependent variable: BSE

Standard errors based on Hessian

TABLE XII: GARCH (1,1) MODEL WITH STOCK MARKET RETURN AS DEPENDENT VARIABLE AND 10 SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES

	Coefficient	*Std. Error*	*z-stat*	*p-value*	
Const	-0.000575526	0.000283067	-2.0332	0.04203	**
Auto	0.0462931	0.0124177	3.7280	0.00019	***
OilGas	0.239516	0.0117884	20.3180	<0.00001	***
CapitalGoods	0.14569	0.0111761	13.0359	<0.00001	***
Teck	0.247552	0.0268719	9.2123	<0.00001	***
Infotech	0.0145987	0.0188261	0.7754	0.43807	
HealthCare	-0.0188069	0.014133	-1.3307	0.18329	
FMCG	0.0951465	0.0112282	8.4739	<0.00001	***
Bankex	0.1899	0.00919175	20.6599	<0.00001	***
Metal	0.0504284	0.00908555	5.5504	<0.00001	***
Consumer	-0.0317635	0.00883564	-3.5949	0.00032	***
alpha(0)	1.1038e-05	4.71899e-06	2.3391	0.01933	**
alpha(1)	0.129053	0.0726369	1.7767	0.07562	*
beta(1)	0.373557	0.229661	1.6266	0.10383	
Mean dependent var	0.004303		S.D. dependent var	0.039669	
Log-likelihood	1074.173		Akaike criterion	-2118.346	
Schwarz criterion	-2064.259		Hannan-Quinn	-2096.631	

Unconditional error variance = 2.21918e-005

In the stage 1 only ten indices information is undertaken for a previous 272 weekly data. It is then undertaken ARMA (1,1) or GARCH (1,1) test is conducted . Infotech and Health Care indices have insignificant P values. Beta(1) has also insignificant P value where as alpha(1) has significant P value. At the same time alpha(1) has higher value. That is there has significant volatility involved. Since alpha(1) is high and hence volatility in the previous period is going to be present in the current period returns also as observed from the Table XII.

MODEL 2: GARCH, USING OBSERVATIONS 1-118

Dependent variable: BSE

Standard errors based on Hessian

TABLE XIII: GARCH (1, 1) MODEL WITH STOCK MARKET RETURN AS DEPENDENT VARIABLE AND 12 SECTORAL INDICES RETURN AS INDEPENDENT VARIABLES (REALTY AND POWER INCLUDED)

	Coefficient	*Std. Error*	*z-stat*	*p-value*	
const	-0.000814061	0.00039846	-2.0430	0.04105	**
Auto	0.027777	0.0145655	1.9070	0.05652	*
OilGas	0.264486	0.0153388	17.2430	<0.00001	***
CapitalGoods	0.163031	0.0209349	7.7875	<0.00001	***
Teck	0.225887	0.0329052	6.8648	<0.00001	***
Infortech	0.020244	0.0230149	0.8796	0.37907	
HealthCare	-0.0592089	0.0186342	-3.1774	0.00149	***
FMCG	0.098316	0.0162795	6.0392	<0.00001	***
Bankex	0.20377	0.0132983	15.3229	<0.00001	***
Metal	0.0632153	0.0135674	4.6594	<0.00001	***
Consumer	-0.0311538	0.0144295	-2.1590	0.03085	**
Power	-0.0116296	0.0254286	-0.4573	0.64742	
Realty	-0.0087497	0.0101155	-0.8650	0.38705	
alpha(0)	1.59062e-05	8.13827e-06	1.9545	0.05064	*
alpha(1)	0.223835	0.15887	1.4089	0.15886	
beta(1)	1.5158e-012	0.447088	0.0000	1.00000	
Mean dependent var	-0.000299		S.D. dependent var	0.049908	
Log-likelihood	471.4306		Akaike criterion	-908.8612	
Schwarz criterion	-861.7596		Hannan-Quinn	-889.7366	

Unconditional error variance = 2.04933e-005

In the stage 2 all twelve indices information is undertaken for a previous 118 weekly data. It is then undertaken ARMA (1,1) or GARCH (1,1) test is conducted . Infotech, Power and Realty indices have insignificant P values. Beta(1) has also insignificant P value and alpha(1) has also insignificant P value. At the same time alpha(0) has higher value as observed from Table 13. Since alpha(1) is insignificant and hence volatility in the previous period is not going to effect in the current period returns volatility. That is the addition of the power, realty indices has decreased the volatility clustering in the forecasted returns of the market index.

MARKET EFFICIENCY COEFFICIENTS (MEC)

Market efficiency coefficient (MEC) is calculated to understand the liquidity characteristics of the each sectoral indice and market index. At the same time the impact of the liquidity of sectoral indice return on the liquidity of the market index return. Especially with the inclusion of the real and power sectoral indice returns.

MEC = variance of the long term returns / (n * variance of the short term returns)

Where n= number of short terms in one long term

The short term considered in this study is a week and long term consists of four weeks.

The Table XIV provides the details of the Market efficient coefficient of the different sectoral indice and market index.

TABLE XIV: MARKET EFFICIENT COEFFICIENT OF THE DIFFERENT SECTORAL INDICE RETURN AND STOCK MARKET INDEX RETURN

	Phase 1 (3rd December 2004 to 25th February 2010)			Phase 2 (16th November 2007 to 25th February 2010)		
Index	**Short Term Variance**	**Long Term Variance**	**MEC**	**Short Term Variance**	**Long Term Variance**	**MEC**
BSE	0.002	0.006	0.824	0.002	0.014	1.489
Oil&Gas	0.003	0.008	0.742	0.003	0.017	1.216
FMCG	0.001	0.004	0.859	0.001	0.005	1.220
Technology	0.002	0.005	0.812	0.002	0.011	1.344
Bankex	0.004	0.012	0.739	0.005	0.027	1.431
Infotech	0.002	0.007	0.873	0.002	0.015	1.547
Metal Index	0.005	0.019	0.953	0.006	0.041	1.649
Power				0.003	0.022	1.665
Realty				0.011	0.075	1.750
Capital Goods	0.003	0.014	1.023	0.004	0.028	1.811
Auto	0.002	0.008	1.046	0.002	0.019	1.979
Consumer Durables	0.003	0.015	1.174	0.004	0.036	2.147
Health Care	0.001	0.006	1.561	0.001	0.011	2.213

The liquidity as such has increased in phase 2 by an average of 50% in comparison to the phase 1. However the sorted order of sectoral indices on the basis of MEC values has not changed with the change in the phases. That is the liquidity of the health care, consumer durables, auto have been leading in terms of higher liquidity where as oil&gas, FMCG and technology have playing low in liquidity terms. However the volume of turnover would provide a better understanding in the actual liquidity conditions of sectoral indices and market index. At the same time the addition of power and realty had provided increment in the liquidity of the market index as well as the sectoral indices.

The above analysis provides that the inclusion of the health care, consumer durables and the auto sectoral indices would result in the faster changing of the composition of portfolio which is highly required in the formation of tracking indices. Major of the indices sectoral returns have achieved the values of the MEC more than one in the second phase indicating the increment in the variance in the long term than the short term with inclusion of the realty and power sectoral indice returns. These characteristics impact the transaction costs which finally results in the variation of the liquidity of the sectoral indices stocks.

CONCLUSION

The study has attempted to understand the movement of sectoral returns and their contribution towards the sensex returns. The study could find that the sensex returns could be explained with the help of the selected sectoral index returns only. At the same time it has also found that there is significant difference between the different sectors contribution to the final sensex returns. The different phases of the study had resulted in the finding of the difference with inclusion of power and realty sector. The power and realty sector indices have a lower contribution towards the market index returns.

The forecasting of the sensex returns with help of differenced first order regressive method provides better results. It is the time lag which helps in increasing the model fit. At the same time the inclusion of realty and power indices returns also results in increase of fitness of the model of ARIMA. The few peculiar observations made were the health and consumer durable indice returns were earning against the market index returns direction. Whereas Technology, oil, Capital goods and banking remained the main contributing indice returns to the overall market index returns. GARCH models present that there is going to be lower volatility clustering involved with the presence of the realty and power sectoral indice.

The liquidity measured on the basis of Market efficiency coefficients have provided that the sectors like health care, consumer durables and the auto sectoral indices have high long term variance in the returns where as lower in the oil and gas sector. However all the sectoral indices of BSE financial market have more than one as value, indicating the higher long term variance than the short term variance of the sectoral indice. This liquidity characteristic of sectoral indices helps in the optimum formation of the portfolios.

LIMITATIONS

Scope of the study is:

- The time period considered is limited to 5+ years
- The inclusion of the realty and power sector indices are applied in separate phase
- All the sector indices are provided with the same weight-age in the regression equation
- Less number of research papers on the dealing specifically to the sectoral and hence the hypothesis are developed for this particular study.

Limitations of GARCH Model

- GARCH models are parametric specifications that operate best under relatively stable market conditions. GARCH models fail to capture irregular phenomena like wild market fluctuations (e.g., crashes and subsequent rebounds) and other unanticipated events that impact the model undertaken.
- GARCH models fail to fully capture the fat tails observed in asset return series. Heteroscedasticity can explain only a partial of fat tail behaviour.

FUTURE SCOPE

This study has a basic understanding of the sectoral index returns movements and in relation to the sectoral indexes. However further studies can be undertaken with help of the BSE 500 index returns as the market returns. At the same time same could be replicated in the various other financial markets and cross sectional data analysis could be undertaken.

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DATA SET

- http://www.bseindia.com/about/abtip.asp as accessed on March 3rd , 2010
- http://www.google.com/finance?q=INDEXBOM%3A.BSEREAL

SOFTWARE USED

- PASW (SPSS 18)
- GRETL
- Microsoft Excel 2007

APPENDIX

INDEX SPECIFICATION

Index	Base Period	Base Index Value	Date of Launch	Method of Calculation
BSE Auto	01 February, 1999	1000	23 August, 2004	Free-float market capitalization
BSE BANKEX	01 January, 2002	1000	23 June, 2003	Free-float market capitalization
BSE Capital Goods	01 February, 1999	1000	09 August, 1999	Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization
BSE Consumer Durables	01 February, 1999	1000	09 Augus, 1999	Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization
BSE FMCG	01 February, 1999	1000	09 August, 1999	Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization
BSE Healthcare	01 February, 1999	1000	09 August, 1999	Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization
BSE IT	01 February, 1999	1000	09 August, 1999	Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization
BSE Metal	01 February, 1999	1000	23 August, 2004	Free-float market capitalization
BSE Oil & Gas	01 February, 1999	1000	23 August, 2004	Free-float market capitalization
BSE Power Index	03 January, 2005	1000	09 November, 2007	Free-float market capitalization
BSE Realty	2005	1000	09 July, 2007	Free-float market capitalization

Source: http://www.bseindia.com

CROSS CULTURAL DIFFERENCES IN MULTINATIONAL COMPANIES AND IT'S AFFECT ON INTERNATIONAL BUSINESS

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ABSTRACT

In times of rapid growth, both in terms of economic development and globalization, the intercultural communications field has increasingly gained importance. A subsequent challenge to this development is the repercussions of cross-cultural communication.This study discuss through literary review the relationship between cross culture communication and its impact on business. People from different cultures form different trait impressions based on the same vocal qualities and that cross-cultural experience influences trait impressions through adaptive acculturation. Cross cultural differences can negatively impact a business in a variety of ways, whether in team cohesion or in staff productivity, so the study proposes suggestions based on previous research in cross culture communication in organizations, which enable employees to function effectively in any culture, and in particular acquire experience dealing with the numerous cultural differences. It presents essential concepts of national and global culture and examines key differences in communication; facilitating the correct interpretation of a wide variety of cross-cultural situations and laying the foundation for necessary behavioral adaptations to enhance the productivity of employees.

KEYWORDS

Cross cultural differences, Acculturation, Ethnocentrism and Stereotyping.

INTRODUCTION

Culture is a people's way of life, their design for living, their way of coping with their biological, physical and social environment. It consists of learned, patterned assumptions, concepts and behavior, plus the resulting artifacts (Charles H. Kraft, 1978).

A major component of a culture is its systems of values, beliefs, and material products. First, culture includes belief systems that involve stories, or myths, the interpretation of which can give people insight into how they should feel, think, and/or behave. The most prominent systems of beliefs tend to be those associated with formal religions; however, any system of belief in which the interpretation of stories affects people's behavior, a system of superstitions, for example, can contribute to a component of a given society's culture. Second, culture includes value systems. Values are formed based on how we learned to think things ought to be or how people ought to behave, especially in terms of qualities such as honesty, integrity, and openness. Third, culture is also defined by material products such as food, clothing, and music (Carolee Buckler, 2008).

Communication is culture bound. The way an individual communicates emanates from his or her culture. Of course, a person may know more than one culture or may be competent in a combination of cultures. Nonetheless, one basic truth prevails: communication is a product of culture. (Orlando Taylor, 1990).

In any cross-cultural context, potential for misunderstanding and talking past each other is great. Different cultural systems can produce divergent negotiating styles. In cross-cultural negotiations, many of the rules taught and used domestically may not apply - especially when they may not be culturally acceptable to the other party. In the last few decades the intercultural communications field has increasingly gained importance within politics, trade and commerce. Both international and national companies are now realizing that a clash of cultures can and does have an adverse effect on business success. This clash takes place both on an international level, with staff frequently being sent abroad to conduct business and on a domestic level, with an increasingly diverse and multi-cultural workforce. The interdependent, global and multi-cultural marketplace of the 21st century brings with it new challenges. (Kwintessential 2011*)*

STATEMENT OF THE PROBLEM

Before the ages of industrialization and globalization, most human beings around the world grew up and carried out their daily activities within restricted geographical confines, never coming face to face with others from different cultural backgrounds. However, due to various factors , as of 2010, folks from different cultures in the world find themselves interacting and working with individuals and groups from other cultures, operating and communicating according to differing sets of cultural norms, values, and communication styles. Consequently, researchers and global leadership practitioners stressed a heightened need for understanding other cultures and their people and what factors show potential to impede effective communication within an organization characterized by cultural diversity (Ecoggins, 2011).

International businesses are facing new challenges to their internal communication structures due to major reforms brought about through internationalization, downsizing, mergers, acquisitions and joint ventures. Lack of investment in cross cultural training and language tuition often leads to deficient internal cohesion. The loss of clients/customers, poor staff retention, lack of competitive edge, internal conflicts/power struggles, poor working relations, misunderstandings, stress, poor productivity and lack of co-operation are all by-products of poor cross cultural communication. International businesses with a highly diverse workforce in terms of nationality and cultural background face challenges from the differences in language, values, belief systems, business ethics, business practices, behavior, etiquette and expectations. Cross cultural differences can negatively impact a business in a variety of ways, whether in team cohesion or in staff productivity *(*Kwintessential 2011).

OBJECTIVES OF THE STUDY

1. To understand and review the existing literature on cross cultural differences in multinational companies.
2. To explore the conflicting forces that contradicts the building of operative intercultural relationships.
3. To delineate and illuminate the effect of cultural shock, ethnocentrisms, stereotyping, prejudice, excessive cohesiveness in cross cultural interaction.

4. To propose suggestions for cultivating cross cultural competencies essential to intercultural proficiency.

METHODOLOGY

This study is a literary review based on previous researches and studies. A model has been proposed after the literary review and it also gives some suggestions to combat cross cultural differences in multinational companies.

LITERARY REVIEW

The international business culture as a whole is a congregation of various business practices, cultural influence and the thought processes followed in different nations (Cindy King, 2008). One of the tangible benefits for managing cultural diversity in the workplace is its direct bearing on productivity and profitability. When a company invests in a diverse group of people, it's the diverse workforce ethics, experiences, perspectives, innovations and ideas that also get invested in the company's overall way of working. This difference can turn out to be valuable asset for any workplace, if diversity is managed and channelized well. Valuing your employees despite their differences will ensure individual and collective contributions (Loveleena Rajeev, 2010).

International businesses are not only a way of making profit by way of exploitation of international talent, but also a bridge between different nations of the world. Tomorrow's world will rely more on a symbiotic relationship between international business and culture as a whole. (Cindy King, 2008).When two aspects of human society, culture and business, interact with each other, it leads to the development of interesting conditions or scenarios. But however, it is undeniably true that when different cultures converge at a certain point with business as the platform, the clashes are bound to take place. But, most importantly such a scenario helps us to adapt to challenging situations. (Cindy King, 2008).It can be a little difficult, however, to understand how to communicate effectively with individuals who speak another language or who rely on different means to reach a common goal.Mostly Cross cultural differences manifest in general areas such as in behavior, etiquette, norms, values, expressions, group mechanics and non verbal communication. These cross cultural differences then follow on through to high level area such as management styles, corporate culture, marketing, HR and PR (Neil Payne)**.** Given different cultural contexts; this brings new communication challenges to the workplace.

INTERCULTURAL DIFFERENCES AND ITS IMPACT UPON BUSINESS

Many will ask how intercultural differences impact business. By way of highlighting this it may be useful to briefly look at UK business culture. If a foreigner were to come to work or conduct business in the UK what areas may they find different? Let us consider punctuality. Most North American and European countries are 'clock conscious'. Time is money, being late for an appointment is the height of bad etiquette and coming in late to work is unprofessional. However, in many other countries this is not so. Being late for work or an appointment is acceptable and would not have harmful repercussions. Compared with other countries, the UK office can be a reasonably relaxed and informal environment. Conversations can become personal, humor is seen as a positive and relationships frequently switch between that of friends and colleagues depending on the situation. A new German or Japanese colleague may at first find this unprofessional and lacking in professionalism.

When these varying cultures collide in the workplace, regardless of origination, the mannerisms that the individuals were brought up with and taught are socially acceptable can result in friction. This friction can start in personal relationships, but could rise to levels to interfere with productivity and customer relationships. For instance, one of the most predominate business tactics encountered in Bolivia was the determination of individuals and businesses to avoid saying "no." This is apparently also common in Japanese culture, according to the readings in Management Communication, 3rd Ed., Chapter 10 (O'Rourke, 2007). A refusal to say "no," even when the request cannot be accommodated can result in misunderstandings in business. For instance, a manager may request a report from an employee who was brought up in business to agree to anything, regardless of the deadline, amount of work involved, current workload, etc. That manager may be left standing in a meeting with nothing to say because of a cultural misunderstanding. (Cheryl Rivera)

Even when employees located in different locations or offices speak the same language (for instance, correspondences between English-speakers in the U.S. and English-speakers in the UK), there are some cultural differences that should be considered in an effort to augment communications between the two parties (Cross Cultural Communicationcommunication.htm).

Sondra Theiderman, author of Bridging cultural barriers for corporate success writes that learning about cross cultural management is important because it will "allow you to maximize the chances that your multicultural workplace will be productive, efficient and harmonious. It will also enable you to attract and retain high quality workers of diverse ethnic or cultural background. "Specifically, she notes, it will allow:

- Better communication despite accent and language barriers.
- More effective motivation of workers through the accurate interpretation of behaviors and the design of culturally aware motivation strategies.
- The accurate evaluation of culturally diverse applicants and employees through a better understanding of presentation styles, behaviors and language facility.
- Harmony and comfort in the work place through an understanding of the motivation and perspective of others.

CONFLICTING FORCES THAT EFFECT CROSS CULTURAL COMMUNICATION

The dialectical model proposed by Baxter (1992) and Montgomery (1993) contends that relationships are messy and always in flux; they are characterized by "contradictions, contingencies, non-rationalities, and multiple realities" (p. 330, Baxter& Montgomery, 1996). Some specific dialectical tensions associated with international communication and international business has been identified (Martin& Nakayama, 2003; Montgomery 1992; Rawlins, 1992).

ANXIETY AND UNCERTAINITY

Anxiety and uncertainty are powerful dialectical forces and together are the basic causes for most communication failures in intercultural situations(Gudikunst, 1988)Anxiety is the feeling of being tense, worried, or apprehensive about what might happen. It is born out of fear of negative consequences when interacting with people of other cultures (Crocker,Major,&Steel,1998;Hoyle,Pinkley&Insko, 1989:Stefan &Stefan, 1985).We may fear performing poorly or worry "about feeling incompetent, confused and not in control"(Stefan &Stefan,1985, p.159). We may feel that others will exploit or take advantage of us. Or, we may fear rejection, ridicule, or disapproval by those of the host culture and negative evaluation from members of our own culture. Uncertainty pertains to our inability to understand the feeling, beliefs or values of others and in turn to explain their behavior (Berger & Calabrese, 1975).Thus to successfully transition into another culture and effectively communicate with others requires minimizing our anxiety and misunderstandings (Wallace Schmidt, Susan S. Easton, William J. Wardrope, 2007).

REMEDIES

Many factors influence the amount of anxiety and uncertainty we experience. If we perceive others to be similar to us, we are less anxious and have more confidence in our ability to predict their behavior, although we may perceive similarities when we actually are different. Secondly the degree to which we share acquaintance and memberships along common social networks will decrease anxiety and uncertainty (Gudykunst& hammer, 1988). Third, the more we understand and can speak another language and the more knowledge we have of his or her culture, the more are uncertainty and anxiety will be reduced.

ADAPTATION AND ACCULTRATION

Environmental and personal factors influence how individuals will respond to a new culture. The overall similarity or difference and compatibility or incompatibility with the host society will largely determine the degree to which potential barriers may impede adaptation (Y.Kim, 1979, 1988). Essentially individuals readily accept what promises to be rewarding and rejects what seems to be unworkable or disadvantageous. Receptivity refers to an attitude of openness and acceptance to the host cultures as well as providing opportunity for intercultural engagement (Y. Kim, Lujan, & Dixon). The extent to which the host culture expects others to confirm to its existing cultural norms and values varies from society to society. Relatively freer and more pluralistic societies such as United States permit a greater latitude or tolerance for cultural differences. The adaptation process is also influenced to the degree to which a given host environment extends receptivity or exerts conformity pressure on others. It is influenced strongly by how favorably the group is viewed by the host environment at large (Y. Kim, 2001).

REMEDIES

Adaptation process is influenced a lot by personal factors, especially age, education, and personality. Regardless of its cultural context education expands are mental capacity for new learning and for challenges of life in general (Kim YY, 1980; Yum 1982). Everyone possesses a personality – a unique set of dispositions that are enduring but also adaptive. These personality attributes associated with adaptation include tolerance for ambiguity and risk taking, sociability, resilience, and an internal sense of control or responsibility(Bradburn, 1969; Fiske and Maddi, 1961; J. Johnson & Sarason, 1978; Quisinbing 1982; Yum, 1988) Kim YY.(1988) has consolidated these related personality attributes into three higher level constructs of openness, strength and positivity. Openness refers to flexibility and open-mindedness; strength represents tolerance for ambiguity, persistence and resourcefulness; and positivity correlates to an affirmative and optimistic outlook. Developing these personality traits through culture- general training can be valuable and particularly useful in developing positive personality traits.

Also, adaptive potential increases dramatically for those who prepare themselves for the new environment (Brabant, Palmer, & Grambling, 1990; Bruslin and Yoshida, 1994; landis7 brislin1983). Many enter new cultures with unrealistic expectations and little knowledge. Cross cultural training and host orientation programs can increase cultural awareness, heighten cultural understanding, and assist in language acquisition.

LANGUAGE INCOMPETENCY

The lack of language competence accounts for many of the problems and difficulties associated with maladaptation, including low self esteem, low morale, social isolation and dissatisfaction of life in the host culture that contributes to continuous frustration(Berry,1990; Dyal&Dyal 1991)Smoothly and effectively dealing with those of another culture is dependent on ones social communication activities particularly the ability to and establish a net work of relationships which depends on interaction. Communication difficulties through language can be a direct consequence of inappropriate use of language in context.

SUBLIMINAL MEANING

Language carries with it subliminal meanings and messages transmitted through vocabulary, stress and tone. The wrong use of words or emotions hidden behind phrases can send messages that affect staff self-perception, confidence and attitude. (Neil Payne, 2010). It can also bring about fear. Fear of making mistakes or the fear of being laughed at because of the way we express ourselves. A foreign born customer may not, for example, ask questions about a product for fear of not being able to understand the answer. A colleague may hesitate to speak in a meeting or leave a message on an answering machine for fear of not being understood. An immigrant worker may fail to take independent initiative on task partially because he or she is afraid that supervisor's instructions might have been misunderstood. SondraTheoderman in her book ,'Profiting in Americas Multicultural marketplace 'says that "When Sondra Thiederman in her book, 'Profiting in Americas Multicultural marketplace 'says that "When educated, intelligent and accomplished people who rely upon their ability to demonstrate those virtues verbally are unable to make themselves understood, they appear to others slow, unimaginative and uneducated. Thousands of foreign born professional who are entering United States today are experiencing this difficulty. Having been successful back home, they come here only to appear inarticulate and inexperienced- perceptions which often generate feeling of inadequacy and low self-esteem".

SUBTLE SHADINGS

Language failures can also be a by product of the subtle distinctions from language to language, and also culturally based variations among speakers of the same language. The subtle shadings that are often crucial to business negotiations are also weakened when the parties do not share similar control of the same language. The following pair of sentence illustrates the complexity of English language.

1. Barbara did not come to work today

Barbara did not show up for work today

2. The speaker elaborated the point for an hour

The speaker belabored the point for an hour (Sondra Theiderman, 1992)

Although the non native speaker might know each word in these sentences, the dramatic difference in intention could easily be lost behind the subtleties of meaning. (Sondra Theiderman, 1992). Another nuance of English involve phrases that, if taken literally can confuse the foreign born. "You can say that again", "Its just one of those things", for example are merely idioms. "I have a lot of running around to do" could lead a nonnative speaker to think of you as a dedicated athlete. To make matters worse sometimes the same word has opposite meaning depending on the context. To say "I believe in this idea'' connotes a firm commitment to the concept. On the other hand to respond 'I believe so' to a question connotes some doubt about the matter (Sondra Theiderman, 1992).

Misunderstandings may arise because of dialectical differences within the same language. When other parties with full control over the language with whom the non native speaker communicates assume that knowledge of this distinction exists conflicts deriving from misunderstanding is likely. (Gale Encyclopedia).

REMEDIES

These days, offices may have native speakers of over 50 languages all under one roof. It is important that the main language of the office is established, whether it be English, French or Spanish. Once this is constituted all employees should only converse in the main language. This avoids exclusion of staff who can not understand other languages. In addition, a company should ensure that all its employees are fully conversant in the main language. Language tuition should be seen as a necessity not a luxury.

Cross cultural differences can negatively impact a business in a variety of ways, whether in team cohesion or in staff productivity. As we have seen above, different methods of communication are just one area in which cross cultural differences are manifested. In such multicultural companies, objective help may be needed through a cross cultural consultant who will show teams and individuals how to manage communication and work together more cohesively and productively.

In summary, we can conclude that the biggest hurdle to effective cross cultural communication is a reluctance to invest in the expertise and resources needed to overcome the problems as outlined above. Cross cultural hurdles are easily negotiable with some objective and well-qualified assistance (Neil Payne, 2010).

THE EFFECT OF CULTURAL SHOCK, ETHNOCENTRISMS, STEREOTYPING, PREJUDICE, EXCESSIVE COHESIVENESS

CULTURE SHOCK

Culture shock can be defined as a condition which people experience when they are exposed to completely different set of people, whose values, ways of living, norms, acceptable behaviors, etc. are in contrast with what the said person has been brought up to believe are right.(Asthra Dogra 2010). When an individual enters a strange culture, all or most of these familiar cues are removed. He or she is like a fish out of water. No matter how broad-minded or full of good will that person may be, a series of props have been knocked from under him, followed by a feeling of frustration and anxiety. Taft, (1977) has identified number of common reactions including, irritability, insomnia and other psychosomatic disorders, a sense of loss arising from being uprooted from ones familiar surroundings, a feeling of impotence from being unable to deal competently with the environmental unfamiliarity leading to stress and rejection of the host premise.

Culture shock can be costly to international business because it often results in the premature return of the business people working overseas. Research shows that employees sent to foreign countries fail not because they lack professional competence but because they lack the ability to understand and adapt to another culture's way of life. (Ferraro, 1990) Estimates of early return of US expatriate managers ranges from 45 to 85 percentage (Ferraro, 1990)However when companies implement training programs to combat culture shock, the early return rates drops to less than 2 percent (Chaney & Martin, 2004).Adler states that intercultural experience is one of transformation, " movement from the state of low self –and cultural awareness to a state of high self and cultural awareness"(Adler,1987,p.15) Training programs enables them to transcend this period of turmoil and help in the process of acculturation or learning or adaptation.

ETHNOCENTRISM

The theoretical concept of ethnocentrism, as developed by Sumner (1906), suggested that in most intergroup contexts, one's own group is the center of everything, and all other things are related to or dependent on it. Berry and Kalin (1995) pointed out that the ethnocentrism concept tends to be viewed as "the synonym for general antipathy towards all out groups" Ethnocentrism has been described as an individual psychological disposition which has both positive and negative outcome (Neuliep & McCroskey, 1997). On the one hand, ethnocentrism serves as an antecedent towards "patriotism and willingness to sacrifice for one's central group" (Neuliep & McCroskey, 1997, p. 389) and helps in constructing and maintaining one's cultural identity (Chen & Starosta, 2004). On the other hand, ethnocentrism leads to misunderstandings (Neuliep & McCroskey, 1997) and reduced levels of intercultural-willingness-to-communicate (Lin & Rancer, 2003) (Qingwen Dong, Kenneth D. Day and Christine M. Collaço) 'Ethnocentrism' is passing negative moral judgments on how ethnic others organize their lives. (Francisco J. Gil-White)

Ethnocentrism is a form of in-group favoritism and out-group hostility in which membership is typically evaluated in terms of one or more observable characteristics (such as language, accent, physical features, or religion) that are regarded as indicating common descent (Weber cited in Guibernau and Rex, 1997). Controversial thesis even says that the "clash of civilizations" is the greatest threat to world peace (Huntington, 1996; see also Russett, Oneal and Cox, 2000).(Robert Axelrod and Ross A. Hammond April 16, 2003)

STEREOTYPING

Stereotyping is defined as creating an oversimplified, false or generalized portrayal of a group of people. The stereotype we hold directly influence our communication with others and our initial predictions about others are based on the stereotypes we have about their culture, race or ethnic group. Stereotyping does not allow for exceptions or individual differences (Alberta Human Rights and Citizenship Commission 2 0 0 7). "Sex stereotyping" jurisprudence, first articulated by the Supreme Court in *Price Waterhouse v. Hopkins*1 in 1989, is a legal concept with the potential to combat sexism in the workplace. According to *Price Waterhouse*, Title VII prohibits employment discrimination not merely on the basis of biological sex, but also on the basis of certain sex-stereotypes or gender norms about men and women. (Erin E. Goodsell*)*

However, Sondra Thiederman says that our tendency to collectively characterize a group of people as stereotypes become lesser and lesser as we come to know more about them individually. She takes the example of innumerable sail boats sailing in an ocean, which all appear similar to an ordinary onlooker, but perhaps to a dedicated hobbyist or true sailor no two sailboats are exactly alike. "The difference between casual observer and the devoted sailor is knowledge". "Acquiring knowledge of the concerned alone can weaken Stereotypical thinking. It is ignorance and lack of familiarity that makes all those sail boats look alike". (Sondra Thiederman, 1992)

PREJUDICE

Stereotyping can often lead to prejudice. Prejudice is defined as an opinion or judgment, frequently unfavorable, based on irrelevant considerations, inadequate knowledge or inaccurate stereotyping. Prejudice is irrational and not based on reality. Prejudicial behavior causes pain and discomfort, impedes productivity in the workplace and denies Albertans who are the recipients of such behavior the right to live, work and play with dignity and respect. Sometimes people are not aware of their own prejudices because they do not know their assumptions are based on inaccurate information. Consequently, they are also unaware that their prejudicial behavior causes others pain. Prejudice is dangerous because it often leads to discriminatory acts which are prohibited under the *Human Rights, Citizenship and Multiculturalism Act*. (Alberta Human Rights and Citizenship Commission 2 0 0 7)

GROUPTHINK

Groupthink is a type of thought within a deeply cohesive in-group whose members try to minimize conflict and reach consensus without critically testing, analyzing, and evaluating ideas. It is a second potential negative consequence of group cohesion. Irving Janis studied a number of 'disasters' in American foreign policy, such as failure to anticipate the Japanese attack on Pearl Harbor (1941); the Bay of Pigs fiasco (1961) when the US administration sought to overthrow Fidel Castro; and the prosecution of the Vietnam War (1964–67) by President Lyndon Johnson. He concluded that in each of these cases, the decisions were made largely due to the cohesive nature of the committees which made them. Moreover, that cohesiveness prevented contradictory views from being expressed and subsequently evaluated. As defined by Janis, "A mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' strivings for unanimity override their motivation to realistically appraise alternative courses of action"(Wikipedia)

Companies like Hewlett Packard, Harvard Pilgrim Healthcare and IBM has invested upon developing cultural competency and considers it a vital management requirement. Harvard Pilgrim healthcare vice president of diversity Barbara Stern, explains, "Cultural competence should be a part of everyone's strategy. We need to be good at working with people of all walks of life". In essence, cultural competence and strong diversity management will help companies effectively draw upon talent, intellectual capital, and motivate more employees. (Cultural competence.htm)

An effective communication strategy begins with the understanding that the sender of the message and the receiver of the message are from different cultures and backgrounds. Without getting into cultures and sub-cultures, it is perhaps most important for people to realize that a basic understanding of cultural diversity and its conflicting tendencies, is the key to effective cross-cultural communications.

COMPETENCIES REQUIRED FOR INTERCULTURAL EFFECTIVENESS

Certain specific cross-cultural competencies are indispensible to communicate applicably and effectively with people from another culture. Learning all you can about a particular culture is a good way to figure out how you send and receive intercultural messages effectively. One has to concentrate learning something about each cultures history, religion, politics, values and customs. Its mandatory to find about a countries subcultures, especially its business subculture, and any special rules or protocol (John V.Thil, Courtland L. Bovee, 2001).They help us manage our uncertainty and anxiety as well as surmount group stereotypes, social prejudices and our own ethnocentrism so that we can make more accurate interpretations and predictions of another's behavior (Hwang, Chase, & Kelly, 1980).

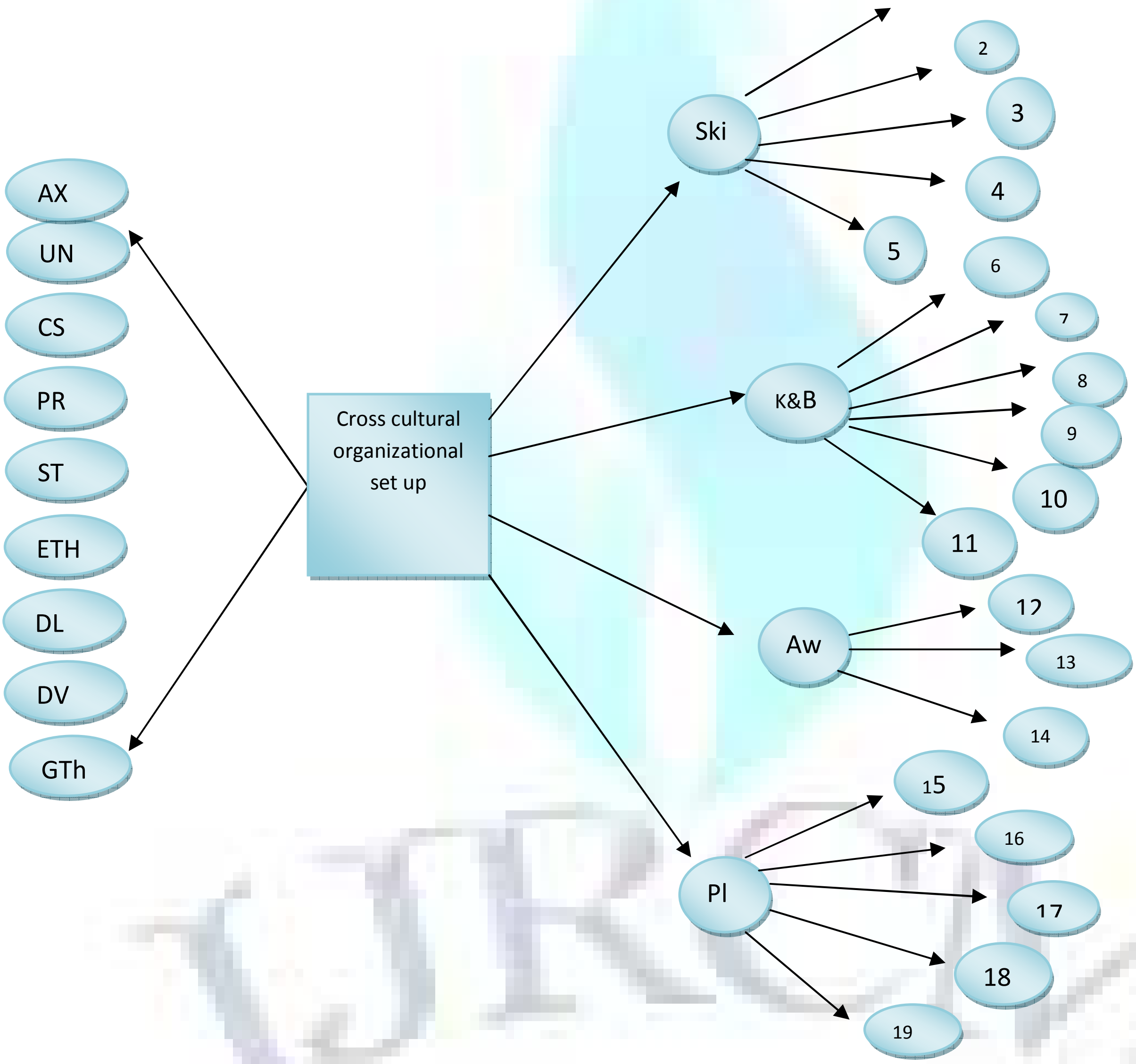
In dealing with American business people, 'says Y.A. Cho chief operating officer of Korean Airlines, "I'm amazed at how naïve most are about other cultures and the way others do businesses. However don't expect to understand another culture completely .the trick is to learn useful general information while remaining aware of and open to variations and individual differences".

The following know-hows help promote cosmopolitan communication.

- *Ability to empathize* involves being sensitive to the needs of others and understanding their point of view (Bell,1987)

- *Active Listening* is a process of thinking with people. It is a complex, innate and learned human process of sensing, interpreting, evaluating, storing and responding to messages" (Steal& Bommelje, 2004,p.31.)
- *Tolerance for change* encourages calm when confronting the unknown and facing new, untested alternatives so we are not overwhelmed by the unfamiliar or mysteries.
- *Tolerance for ambiguity* implies the ability to deal successfully with novel situations and with people who do not comply with the norm (Furnham&Ribcher)
- *Ability to flexibly adapt our behavior* means the ability to be flexible and accommodate our behavior to people from other cultures.
- *Professional qualification* includes knowledge of business practices in the host culture and technical competence (Tung, 1997).
- *Making accurate predictions and explanations* is a crucial competency for reducing anxiety and understanding people of another culture. Being able describe peoples behavior and accurately interpret their messages contributes to successful adaptation and acculturation (Gudykunst & Kim, 2003)
- *Language skills* are definitely essential if we plan to spend a year or more in another country (Copland Griggs, 1985*)*
- *Recognize your own cultural biases.* Learn to identify when your assumptions are different.
- *Treat your interpretation as a working hypothesis.* Once you think you understand a foreign culture, carefully assess the feedback provided by recipients of your communication to see it confirms your hypothesis (John V.Thil, Courtland L. Bovee, 2001)
- *Deal with the individual.* Communicate with each person as an individual, not as a stereotypical representative of another group.

MODEL TO OVERCOME CROSS CULTURAL DIFFERENCES IN AN ORGANIZATION



AX- Anxiety	UN- Uncertainity
CS- Culture Shock	PR- Prejudice
ST- Stereotyping	ETH- Ethnocentrism
DL- Difference in Language	DV-Dialectical Variation
GTh- Group think	Skl- Skills
K&B- Knowledge and Behavior	Aw-Awareness
Pl- Policies	

01. Good interpersonal skills
02. High self esteem
03. Exhibit emotional security
04. Leadership
05. Team balance
06. To practice Universal values
07. Sincere respect for and interest In others
08. High degree of tolerance and flexibility
09. Broadmindedness and inquisitiveness
10. Culture –general knowhow into behavioral repositories
11. Difference in working style
12. Difference in etiquette, values, and behaviors
13. Cultural and customer sensitivity
14. Implementing motivation strategies
15. Socializing activities and events
16. Full circle feedback
17. Rewards and recognition

The growing trend to globalization of business is giving rise to a need for the development of effective international management teams. For many organizations this need will necessitate thinking more clearly about cross cultural issues and more explicitly and analytically understanding and valuing the benefits of diversity in international teams. Achieving this requires understanding of the benefits of differing personal styles and behaviors, and hence prioritizing on the development of cross cultural skills and the integration of thinking and practice relating to team building. Changes has to be brought about in the fundamentals of organizational set up such as in selection, development and implementing reward and recognition policies and practices. In doing this the value of effective multicultural working can be captured at many levels in the organization and international teams, which will in turn enable to reach high performance levels more rapidly and consistently.

To summarize formulating a general framework for building awareness of cross cultural differences, cultivating behavior to combat diversity, spiraling knowledge of strengths and weaknesses of a diversified workforce, developing skills required for operating in a cross cultural environment, and implementing policies for motivation is crucial,. The model above attempts to summarize these requisites.

CONCLUSION

Understanding the value of diversity in our work place can no doubt enable organizations to build global capability and competitive advantage. As one CEO has observed, "Tomorrow executive must possess a broad understanding of history, of culture, of technology and of human relations. They must be as comfortable with management, as with history, anthropology, sociology and with the physical and natural sciences" (Harris & Moran, 1991).Proactively anticipating the challenges of multicultural work teams and thoughtfully addressing the technological challenges is the need of the hour. Global leaders who are not daunted by the mystery and probable peril of intercultural conflict will be able to take advantage of the synergetic opportunities available and procure personal and relational rewards.

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BALANCE OF PAYMENT ADJUSTMENT: AN ECONOMETRIC ANALYSIS OF NIGERIA'S EXPERIENCE

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ABSTRACT

This study deals with the Balance of Payment adjustment for Nigeria for the period (1986-2007) using an econometric analysis. The main objective of the study is to empirically investigate the effect to which the monetary phenomenon approach to Balance of Payment adjustment explains the observed behaviour of Nigeria's balance of payment. Annual time-series data on the variables under study covering twenty-two year period are used. The balance on Current Account is considered. The ordinary least squares single equation technique is used for the study .In the model specified the study looked at the impacts of monetary and real variables on the current account balance. The explanatory variables include the total domestic credit, GDP and government expenditure .The study find out that the aggregate credits to the Domestic Economy were significant in explaining the current account balance. There were positive and significant relationship between GDP and current account balance. Also government expenditure was significant in explaining current account balance .It is recommended that the Nigerian Monetary and Fiscal Authorities should give greater priority to measures other than monetary tools to achieve balance of payment stability

KEYWORDS
Balance of payment, Credit, Current Account Balance, GDP.

INTRODUCTION

In any nation, there are basically four objectives of macroeconomic policy, such as high level of employment, a reasonably stable price, rapid economic growth, and maintenance of equilibrium in the international balance of payments. The last objective (balance of payments stability) is very crucial since the basic condition of the world community is one of mutual interdependence. Stemming from the above objectives, balance of payment (BOP) is very relevant. According to Kalu (2008) its importance includes:

- To provide us with important information about whether or not a country is "paying its way" in the international economy.
- It helps forecast a country's market potential – especially in the short run. If a country is running a deficit balance, it will not import as much as if there was a surplus balance.
- It is an important measure of the relative performance of nation's economy in global economy.
- The balance of payment helps measure the strain under which that country's currency is.
- It also plays an essential role in providing vital information to the government, private sector and firms. Such information includes nature and extent of transactions and the accompanying issues that affect the transactions, such as exchange rate, reserves, interest rate, among others.
- The balance of payment helps determine if investors are to expect a gain/loss in exchange rates.
- The Balance of payment helps show the size of any surplus or deficit that may exist. It tells us something about the state of the economy in question, both on its own and in comparison to other world markets.
- The BOP may be used as the indicator of economic and political stability. For example, if a country has a consistently positive BOP, this could mean that there is significant foreign investment within that country. It may also mean that the country does not export much of it currency.
- Balance of payments data are important for monetary and financial monitoring and policy deliberations in both territorial and international context. Such data are useful for analytical studies on income growth, external orientation of the economy, relationship between trade in goods and services and direct investment flows, links between the exchange rate and the current and financial accounts, international banking transactions, assets securitization and financial market development and external debt situation.
- Data in current transfers, when combined with Gross National Product (GNP) will enable the compilation of Gross National Disposable Income for a nation which should be a very useful measure of aggregate income for analyzing changes in consumption and savings.
- Data on external investment flows (direct investment, portfolio investment, financial derivatives and other investments) will provide a macroeconomic database to support economic analysis on many important issues like economic growth, productivity change, and industrial development among others.

Again, there is no country in the world that does not rely on international trade and payments for its well being. This truth carries particular force for most developing countries whose trade and payment magnitudes are particularly large in relation to domestic economic activity (killick 1981). Most of these countries run large deficits and their payments are thus of great importance to the economic progress of such countries and Nigeria in particular.

STATEMENT OF THE PROBLEM

For several years, Nigeria has been pursuing a strategy aimed at re-establishing international credit-worthiness and to achieve this goal, she has been seeking to narrow her balance of payments deficits on current account. But having such international payments equilibrium or deficits reduction is not an easy task. However there has been ways of achieving it, as offered by the traditional theories or approaches of balance of payments adjustment mechanism. More recently, a modern theory (monetary approach) has developed and it emphasizes the application of monetary analysis to the international balance of payments problem. This modern theory needs empirical investigation, and that is the major concern of this study.

Conventionally, the theory of balance- of- payments adjustment mechanism is viewed as a succession of approaches: the Hume's price specie flow mechanism, the elasticity's approach, the Keynesian Multiplier or income approach, the absorption approach and the policy approach that stresses internal and external balances (Arize, Grivoyannis, Kallianiotis & Malindretos, 2000). However a modern approach, a Monetary Phenomenon has developed in recent years. It is the monetary approach to the theory of balance-of-payments adjustment mechanism. The essence of the approach or theory is a consistent insistence that the balance of payments is a "monetary and not a real phenomenon" as postulated by the conventional theories such as Keynesian Multiplier approach, Absorption approach, Elasticity approach, and Economic Policy approach, Ardalan (2003). . While the traditional theories maintain that balance of payment disequilibria are permanent, the major point of the modern approach is the recognition of the fact that a country in balance of payment deficit (surplus) would ceteris paribus, experience a change in its money stock. The simplicity of the approach gives it the research efficiency award and therefore deserves a reasonably thorough exposition and verification, in order to ascertain its validity (Bhatia, 1982).

OBJECTIVES OF THE STUDY

The main objective of the study is to empirically investigate the extent to which the monetary phenomenon approach to balance of payments adjustment explains the observed behaviour of Nigeria's balance of payments. The specific objectives are as follows:

i. To examine the relationship between monetary variables (domestic credit) and current account balance.
ii. To assess the impact of real variables (Government expenditure and Gross Domestic Product) on current account balance.
iii. To determine the impact of monetary and real variables in explaining variations in the current account balance.

STATEMENT OF THE RESEARCH HYPOTHESES

The research work is guided by the following hypotheses:

$H_{01:}$ There is no significant relationship between monetary variables (domestic credit) and current account balance.
H_{11}: There is a significant relationship between monetary variables (domestic credit) and current account balance.
H_{02}: There is no significant relationship between current account balance and real variables (Government expenditure and Gross Domestic Product).
H_{12}: There is a significant relationship between current account balance and real variables (Government expenditure and Gross Domestic Product).
H_{03}: Compared to monetary variables, real variables are not more important in explaining variations in current account balance.
H_{13}: Compared to monetary variables, real variables are more important in explaining variations in current account balance.

This work is a study of a developing country, Nigeria. The choice is made out of the researcher's interest given the country's economic circumstances. The period covered by the research is twenty-two years period, 1986 – 2007. The availability of uniform data on the relevant variables informed the researcher's choice of the period of analysis.

The study does not consider all the components of balance of payments such as overall balance, the basic balance and reserve changes. Also, it excludes such monetary and real variables as exchange rate, interest rate, foreign price, and domestic price index. Reason is because these real variables are not major explanatory variables in the models of the study.

ORGANIZATION OF THE STUDY

This research work is divided into five parts. The first part is the introduction which presents the background of the study; the statement of problem; the importance of the study; scope of the study. In part two, the relevant Literature is presented and discussed. The methodology of the research is presented in part three. Part four concentrates on the presentation and analysis of regression results. Part five concludes the research work, showing the findings, recommendation and conclusion.

LITERATURE REVIEW

The major goal of monetary and fiscal policies is Balance of payments equilibrium that is ensuring that the external sector of the economy is in balance. While most countries do not worry if there is a surplus in the external accounts, the major source of concern is the existence of a deficit in these accounts. The deficit gives much concern: first, because it affects the competitiveness of a country's exports in the international market place; second, and as a derivative of the first, it creates payment problems, that is , ability of a country to finance its imports, and thirdly, it impairs performance of macroeconomic aggregates in other sectors of the economy. Governments all over the world, especially in developing countries, thus suffer sleepless nights trying to make sure that the external sector accounts are in balance, i.e. that the balance of payments is in equilibrium. (Adegbite 2007).

APPROACH TO CORRECTION OF BALANCE OF PAYMENT DEFICIT

Balance of payment deficit can be corrected via the fiscal approach and monetary approach.

FISCAL APPROACH

The fiscal approach to correction of balance of payment deficit requires the adoption and manipulation of taxation and other fiscal policy instruments in correcting balance of payment deficit. This may include the adoption of expenditure switching or expenditure changing policies, which alter consumption pattern by discouraging consumption of certain goods and services so as to maintain both external and internal balances in the economy. This approach may also involve reducing aggregate demand through higher taxes and tariff rates thereby reducing expenditure (Jhingan 2001).

MONETARY APPROACH

According to Kalu (2008), the problems in balance of payment are solely due to the disequilibrium between the supply and demand for money. The approach emphasizes the importance of monetary factors in the adjustment of balance of payment to disturbances. The main message of the monetary approach is that disequilibrium in the BOP reflects disequilibrium in the money market, excess demand or supply of money. The final cause of the BOP-disequilibria is the divergence between the quantity of money in existence and the optimum or desired quantity. Consequently, BOP analysis needs to focus on both the supply and demand for money.

The fact that balance of payments is especially a monetary phenomenon is obvious because the BOP has, by its very nature, to do with monetary magnitudes and the accounting relationships between real and financial flows in the economy: the variation in the official international reserves is nothing but overall balance of payments. The variation of international reserves is the difference between the variation in the stock of money and the variation in other financial assets. Thus, it is obvious that the BOP is a monetary phenomenon.

The basic idea of monetary approach is that any monetary disequilibrium produces an effect on the aggregate expenditure for goods and services in the sense that:

- An excess supply of money causes absorption to be greater than income and a BOP deficit. The only way of absorbing more than one produces is to receive from foreign countries more than one supplies to them.
- An excess demand for money causes absorption to be smaller than income and a BOP surplus. If the public has an excess supply of money it gets rid of it by increasing absorption and ultimately, by passing its excess cash balances to foreign countries in exchange for goods and services which generates a BOP deficit If the public desires to keep more than it has in stock, it produces it by reducing absorption and ultimately, it passes goods and services on to foreign countries in exchange for money, which generates a BOP surplus. BOP disequilibria is merely a reflection of a disequilibrium in the money market: in this sense monetary flows are independent items in the balance of payments while the purchases and sales of goods, services and investments are viewed as accommodating items.

In one-way or the other, most of the studies reviewed have made useful contributions to the understanding of the proposition that 'Balance Payments is a monetary phenomenon' in the context of monetary approach to balance of payment theory and adjustment. However the empirical studies undertaken so far test the new theory "in isolation," in no way is it pitted against the traditional approaches and the researchers must have gone too far in emphasizing monetary variables to the virtual exclusion of everything else. The empirical literature also revealed that none of the studies was on a West African country and Nigeria in particular.

This study therefore intends to improve on the reviewed studies by using Nigeria as empirical evidence, to test the theoretical proposition of the monetary approach to theory of balance of payment adjustment mechanism. The researcher shall also include some non-monetary variables in the model. A longer time period will be employed in the analysis or empirical test.

In its original usage, a 'balance of payments meant an excess of payments over receipts and under the gold standard this excess meant a gold outflow. But the term soon acquired the neutral meaning of the "state of the balance of international accounts", whether negative or positive. Thus one speaks of a "balance of payments problem" whether gold is flowing in or out, and the term "balance of payments theory" is used to cover the entire subject.

Now the accounting of balance of payments records both regular transactions and transactions made to settle any gap between regular purchases and sales. In other words, the accounting framework records the international exchange of goods and services and movement of capital. This measurement of international economic performance is divided into three accounts: the current account, the capital goods and services and unrequited transfers in a country: they are referred to as autonomous transaction and they help to determine rather than depend on the balance of payments. On the other hand, the capital account records all exchanges and money capital for various kinds of real or financial assets. Thus, the capital account transactions are "compensatory transactions" as they often only reflect short falls or surplus as might occur in the current account and the cash account therefore, is that part of the balance of payment that is referred to as the "balancing item", or reserve movements. It wipes out such discrepancies that might arise, like when the volume of transaction of commodities and assets do not balance as they should (Frenkel, Gylfason & Helliwell,1980).

The balance of payments is related to other aspects of the economic system because it describes the transactions of all the residents of the country with the rest of the world. These connections have given rise to various approaches to balance of payments analysis. The classical international theory therefore, began with David Hume's refutation, by use of the analysis of the price-specie-flow mechanism, of the mercantilist belief that a country could achieve a persistent balance of trade (payments) surplus by import-substituting and export-promoting policies. The price-specie-flow mechanism made a key part of the mechanism of adjustment a temporary rise or fall of the general price level in the country experience excessive or deficient supply of money relative to demand. This relative price level movement leading to a balance of trade deficit or surplus, and the deficit or surplus altering the stock of money in the direction of equilibrium. The need for price level movements was disputed by latter writers, who based their argument on the most classical writers that what is in question was general movements of national price levels, not alterations in the Terms of Trade.

In the Keynesian multiplier approach, Arize, Grivoyannis, Kallianiotis & Malindretos (2000) simplified the approach by assuming a two-good international economy (exportable and importable goods only) and production of export at constant domestic money cost. It hypothesizes that the extra demand for domestic output created by a successful devaluation will be satisfied by re-employing some of the unemployed and that, because part of it will be saved, the extra income generated by increased employment will not increase demand enough to wipe out the initial improvement in the balance of payments.

In the absorption approach, Jimoh (1990) argues that devaluation will produce inflationary price rises that will cancel out the initial relative price effect, unless inflation itself deflates the aggregate demand for goods through an income redistribution effect or through a reduction in the real value of existing money balances.

Economic policy approach improved substantially on previous approaches by analyzing devaluation, not as an arbitrary policy change whose positive effects on the equilibrium of the international economy were to be analyzed, but as one of the two independent policy instruments (wage price flexibility and devaluation) required to achieve the two policy objectives of full employment (internal balance) and a balanced balance of payments (external balance).

The implicit assumption inherent in these approaches is the balance of payments disequilibria are permanent. However, these theories differ from one another in emphasis as well as point of departure but they are reconcilable in terms of their analytical apparatus and policy implications.

In recent years, a new approach, which centers on the idea that the balance of payments is essentially a monetary phenomenon, has developed. It originated in the 1950, by Polak (1957) and his associates at the International Monetary of Fund and developed in the 1960s and early 1970s by Mundel (1968) and Johnson (1972). However, modern academic work on the approach is often traced to the Meade-Tinbergen of internal and external balance in the early 1950, developed further in the 1960s. Mundel demonstrated that monetary policy is more effective than fiscal policy, in attaining external balance, basically because monetary policy improved both the current and capital accounts of the balance of payments. Presumable therefore, it was this concentration on monetary policy and on the overall balance-of-payments position, coupled with the gradual realization that with perfect capital mobility the money supply ceased to be controlled by the monetary authorities even in the short-run that led Mundel and Johnson to develop the modern monetary approach. Thus, Mundel and Johnson with the help of graduate students at the University of Chicago were led to develop on entirely different analytical framework and offer it as a substitute for the traditional approaches. What emerged is a cohesive body of theory that becomes known as the monetary approach to the balance of payments. The essence of the approach is a consistent insistence that the balance of payments is a 'monetary' and not a real phenomenon as posited by the conventional theories. The major point of departure of the new approach is the recognition of the fact that a country imbalance of payments deficit (surplus) would ceteris paribus, experience a change in its money stock. The persistent deficits run down the stock of money and perennial surpluses build up the stock and sooner or later, the spending pattern changes such that the imbalance is soon eliminated.

The main distinguishing feature of the modern approach to payments problem is its focus upon the monetary implications of balance of payments disequilibria. That balance of payments problems are monetary problems in a monetary world economy is basically the assertion of the proponents of the approach. Therefore, the relevant concept of the balance of payments refers specifically to the official settlement balance or the money account.

Furthermore, the proponents of this approach formulate the balance of payments surplus in terms of difference between the demands for money and the actual money supply both in the stock sense. Here, there is the assertion that a balance of payments surplus would only result from balance of payments policies that increase the quantity of money demanded and "domestic credit policy forces the resident population to acquire such extra money wanted through an excess of receipts over out payments". The monetary approach also asserts the national price levels are pegged to the given world price level and must move "rigidly in line" with it and hence prices of other countries. This assumption is justified on the ground that among the industrial countries, industrial competition is endemic and because of this fact inter country elasticity's of substitution among products tend more towards infinity than the relatively low numbers implicit in the elasticity approach.

In terms of time dimension, the monetary approach to the theory of balance of payments adjustment mechanism is a long run phenomenon and the basic feature of the monetary approach is a concentration on the long run consequences of policy and parametric changes for the behavior of the balance of payments coupled with an eclectic view of the processes through which these long run consequences come about. The new approach further recognizes the existence of reserve-currency-countries and incorporates in its analysis reserve currencies held as substitute for international money. It provides a framework within which it is possible to assess the impact of monetary disturbances in a world, which there is at least one reserve currency.

THEORETICAL FRAMEWORK

The theoretical underpinning of the monetary approach to the theory of balance of payments adjustment mechanism or the theoretic foundation of the new approach is anchored in the demand for money function (Johnson, 1976). Grubel (1981) derived briefly the equation system or the formal model of monetary approach, which underlies the most important and central studies, and generally the model can be defined of presented in nine different steps.

Let us assume that the money demand function has the following form:

$$M = \frac{P^a Y^b}{i^c u} \quad \ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Where:

Md = demand for money

P = Price index

Y = real income or output

I = rate of interest
a = Price } } elasticity's of demand
b = Income } } for money
c = interest }
u = error term

The main characteristics of this mathematical specification of this money demand function are that the quantity demanded is an increasing function of the price and income levels, and a decreasing function of the interest rate. The money supply function is assumed to be:

$Ms = mH$ ……… (2)

Where:

Ms = Money supply
m = money multiplier
H = high-powered money

The link between the foreign sector and the domestic money market is established by considering that the high-powered money base consists of a domestic component and a foreign component.

$H = R + D$ ……………(3)

Where:

H = high-powered money
R = foreign component of high-powered money
D = domestic component of high powered money

Substituting Equation (3) into (2) yields:

$Ms = m(R + D)$ …………… (4)

And expressing R and D as a proportion of H yields:

$Ms = m\{\frac{R}{H} + \frac{D}{H}\}H$ ……………. (5)

In equilibrium, money demand and supply are equal

$Md = Ms$ ……………………… (6)

Through substitution of (1) into (5) and (6) we get:

$mH\{\frac{R}{H} + \frac{D}{H}\} = \frac{(P^aY^b)}{(i^cu)}$ ………….(7)

Taking logarithms of (7) and differentiating with respect to time yields:

$G^m + \frac{R}{H} g^R + \frac{D}{H} g^D = ag^P + bg^Y - cgi$ …… (8)

Where g for each variable in the equation is:

$Gx = \frac{I\ dx}{Xdt}$ (x = M, R, D, Y, P, and I)

Rearranging Equation (8) to make $\frac{R}{H}(g^R)$ the dependent variable on the left hand side, we arrive at the equation used for estimation.

$\frac{R}{H} g^R = a\,g^P + bg^Y - c\,g\,I - g\,m - \frac{D}{H} g^D$ ………(9)

In words, equation (9) says that the weighted growth rate of resources is a decreasing function of the weighted growth rate in the domestic component of the high-powered money base after adjustment for the exogenous growth in other variables influencing the transactions demand for money: real income, prices and interest rates, and changes in the money multiplier. Furthermore, the equation implies that if the growth rates of price, income, interest and the money multipliers are zero and therefore economy requires no changes in the supply of money to satisfy increase in the transactions demand for money, then growth in the high-powered money base D, influences the growth of reserve R directly and in a magnitude determined by the relative sizes of $\frac{R}{H}$ and $\frac{D}{H}$.

Any positive growth in the money base, D, controlled by the authorities therefore are the immediate cause of the reserve loss and the opposite holds when the growth of D is negative.

Alternatively, if we assume only interest rate, prices and money multipliers to be constant,

$\frac{R}{H} g^R = bg^Y - \frac{D}{H} g^D$ ……………………… (10)

That is weighted growth rate of reserves is a decreasing function of the weighted growth rate in the domestic component of high-powered money base and an increasing function of growth rate of output. Simplifying further by assuming no domestic growth rate ($g^Y = 0$).

$\frac{R}{H} g^R = -\frac{D}{H} g^D$ ……………………. (11)

That is weighted growth rate of reserves and balance of payments is inversely related to the weighted growth rate in the domestic component of high-powered money base.

Now the above results are to be contrasted with various Keynesian theories about the relation between economic growth and the balance of payments. According to one such theory derived from the multiplier analysis, economic growth must worsen the payments through increasing imports relative to exports; this theory neglects the influence of demand for money on export supply and import demand and on the international flow of securities. According to another and more sophisticated theory, domestic credit expansion will tend to improve the balance of payments by stimulating investment and productivity increase and so lowering domestic prices in relation to foreign goods in the foreign and domestic markets. This theory bags a number of questions even in naive Keynesian terms; in terms of the present approach it commits the error of attempting to deduce the consequences of domestic credit expansion from its presumed relative price effects without reference to the monetary aspect of balance-of-payments surpluses and deficits.

At this juncture, the theoretical framework will be incomplete if we fail to highlight various writings on the defects of the new monetary approach to the theory of balance of payments adjustment mechanism. Writing on the defects Taylor (1987) asserts that the monetary approach is defective in the sense that it attempts to provide a theory of the net sum without attempting to explain its decomposition. There is the disturbing lack of consensus on the most critical concept on which the approach lies – namely the demand for money function and this was why Spanos & Taylor (1984) noted that the casual way in which specification of the function picked in preference to the others does not inspire much confidence.

Another related issue is the failure of proponents of the monetary approach to distinguish between the transaction, precautionary and speculative demand for money. If we accept the decategorization of the motives for the demand for money and the consequent building, of the different motives into one 'super motive' represented by the speculative motive, it is obvious that in the event of a liquidity trap, the monetary approach loses its predictive power (Spanos & Taylor 1984). We should be left with a situation in which the balance of payments would be whatever was dictated by exclusively non-monetary factors. Another defect is the 'small country' assumption of the monetary approach. The assumption that the country under analysis is so small that it is a price taker in world trade poses some analytical problems and also too limiting to have relevance to practical policy problems. However, this criticism has been countered by assertion that the terms of trade play only a secondary role.

Since the monetary approach seems applicable only in a regime of fixed exchange rate, the impression then is that only countries in a currency union or otherwise linked by exchange rates that are guaranteed to remain rigidly fixed would find the monetary approach relevant. With flexible exchange rate and less than full employment, expansionary monetary policy would have a negative effect on foreign income. The new approach has also been criticized of the time dimension element and difficulties associated with the empirical testing of its theoretical propositions. More so, the role, which the monetary approach, arrogates to international reserves as the channel for feedbacks of external transactions on the domestic system, is not clear. Settlement in overall balance of payments does not necessarily involve transfer of international reserves that affect domestic economy.

Again, the monetary approach, like the absorption approach, stresses the need for reducing domestic expenditure relative to income, in order to eliminate a deficit in the balance of payments. However, whereas the absorption approach looks at the relationship between real output and expenditure on goods, the monetary approach concentrates on deficient or excess nominal demand for goods and securities, and the resulting accumulation or non accumulation of money. So, the monetary approach looks at the balance of payments as the change in the monetary base less the change in the domestic component.

Empirical work on the monetary approach to the balance of payments can be divided into two different approaches; one tests the theory in long-run equilibrium, the other considers the adjustment mechanism and the channels through which equilibrium is reached. In consideration of the criticism of the new approach earlier stated, the study will adopt approach of the second approach which considers adjustment mechanism and the channels through which equilibrium is reached.

EMPIRICAL LITERATURE

Since any theory can be judged by the accuracy of its predictions or by the validity of its assumptions, the empirical studies reviewed will therefore cover both types of test. In this review, the studies whose result upholds the theoretical propositions of the monetary approach are termed studies with positive result while those, which do not, are taken to be negative. However, neither positive result nor negative results are taken to be studies with mixed result. The technique of regression analysis used in these studies was ordinary least squares.

A major premise of the monetary approach is that under fixed exchange rate, changes in a country's reserves are as a result of excess demand for or supply of money as a stock. This proposition is tested by what has become known as 'reserve-flow equation'. A reserve flow equation is an equation in which the dependent variable is either the level of the country's international reserves, the change in reserves or the rate of change in. The explanatory variables were interest rate, Government Expenditure, money multiplier, money stock, price index, exchange rate (number of units of domestic currency per unit of foreign currency), and demand for nominal and real money balances and so on. Within this range, the explanatory variables may however vary from study to study.

Using this equation, three studies got negative results: a study of fifteen industrial countries for the time period between 1958 and 1968 (Courchene, 1973); a study of five less developed countries for the time period between 1948 and 1973 (Sargen 1975) and a study of seven European countries for the time period between 1959 and 1970 (De Granwe, 1976). Equally, three studies got positive results: a study of fourteen industrial countries for the period between 1960 and 1969 (Courchene and Singh, 1976); a study of United Kingdom for the time period between 1952 and 1971 (Akhtar, Putnam, and Wilford, 1977); and a study of Canada and Mexico for the time period between 1963 and 1969, and the time period between 1952 and 1971 (Cos and Wilford, 1976). Still using the reserve flow equation, seven studies got mixed results: a study of Japan for the time period between 1959 and 1970 (Bean, 1976); a study of thirteen less-developed countries plus Finland for time period between 1957 and 1972 (Connolly and Taylor, 1976); a study of thirteen less developed countries plus seven developed countries for time period between 1952 and 172 (Connolly and Taylor, 1977); a study of Sweden for the time period between 1950 and 1968 (Genberg, 1976); a study of thirty-nine less developed countries for the time period between 1957 and 1966 (Aghevli and Khan, 1977); a study of Spain for the time period between 1955 and 1971 (Guitan 1976); and finally a study of Australia for the time period between 1950 and 1971 (Zecher, 1976).

A variant of reserves-flow equation is capital flow equations. For the authors embracing this variant, the only balance of payments transaction induced is a private capital inflow. In this equation, the dependent variable was either the net private capital inflow or the net private short-term capital inflow. The explanatory variables were current-account balance plus net official capital inflow, net private long-term capital inflow and some of the regressors of reserve-flow equation. Using this equation Porter (1972) carried out an empirical test on Germany for a seven-year period (1963-1970) and got a negative result. Others who used this equation got mixed results: Kour and Porter (1974) for Australia, Italy, Netherlands (1960-1971); and Germany (1960-1971); Hodjera (1976) for Austria, France (1960-1971); and Neuman (1978) for Germany (1963-1970).

Furthermore, others also used a different equation in the empirical test. Under a pegged exchange rate, the reserve flow and capital flow equations are used to test the theoretical propositions of the monetary approach. With a floating exchange rate these equations give way to an "exchange rate equation" in which the dependent variable is the exchange rate, defined as the domestic currency price of foreign exchange. Since we are not interested in the exchange rage explanation but rather in the explanation of balance of payments outcome, there may not be need for review of studies using the exchange rate equation.

In an impressive extension of the aforementioned monetary models, Girton and Roper (1977) derive an equation that integrates the reserve flow and exchange market equations. The resulting equation is "exchange-market pressure equation" which has as the dependent variable the sum of the change in reserves as a percentage of the monetary base and the rate of appreciation of the domestic currency. The equation is therefore usable for periods encompassing fixed rates, freely fluctuating rates, and managed floats. Using this equation, Girton and Roper (1977) carried out an empirical study of Canada for a twenty-two year period (1952-1974) and got positive result. Finally, Sargen (1975) got a mixed result from an empirical study of Australia, Canada, Germany, Japan and United Kingdom, for the time period between 1952 and 1975.

It is interesting to note, from a close examination of the studies reviewed above, that the number of studies we consider to yield negative results concerning the monetary approach is approximately equal to the number that produce positive results. Also, and perhaps more revealing, the vast majority of studies, viewed independently of one another provide mixed findings. This suggests that the empirical evidence is inconclusive. Again, it seems that three of the models used in the empirical studies – reserve flow, capital flow, and exchange rate equations – do not produce conclusive results. However, the fourth model, the exchange market pressure equation yields results that, while mixed balance, are positive for certain countries.

METHODOLOGY

TECHNIQUES ADOPTED IN THE ANALYSIS OF DATA AND SOURCE OF DATA FOR THE STUDY

The econometric method is the approach employed for the research. There is no doubt that the method will facilitate the model specification, parameter estimation and appropriate econometric tests.

Annual time-series data on the variables under study covering twenty-two year period 1986-2007 are used in this study for estimation of functions. The balance on current account is explicitly considered because if it is assumed that there are no capital movements, any analysis made from the standpoint of the flow market for money is equivalent to analysis made in terms of the market for goods and services. Aggregate credit to Domestic economy, credit by central bank and credit by commercial banks is the relevant monetary variables as postulated by the theory under study. Equally, the relevant real variables are Gross Domestic Product and Government Expenditure.

Data were collected from various editions of the World Bank, World Tables; various issues of Central Bank of Nigeria Economic and Financial Review; Annual Reports and Statement of Accounts; and Principal Economic and Financial Indicators, and Central bank of Nigeria Statistical bulletin.

PROCEDURE OF DATA ANALYSIS

The ordinary least squares single equation technique is the estimation procedure chosen for this study. It will be used for estimating the equation specified below. As a justification for this method, Maddala (1977) identified that ordinary lest squares is more robust against specification errors than many of simultaneous equation methods and also that predictions from equation estimated by ordinary least squares often compare favorably with those obtained from equations estimated by the simultaneous equation method.

MODEL SPECIFICATION

In the model specified below, the researcher intends to investigate the impacts of monetary and real variables on current account balance. The explanatory variables include the total domestic credit, or its components (Credit by Central Bank and Credit by Commercial Banks), Gross Domestic Product and Government Expenditure. Explicitly, the equations estimation, and the expected signs of the coefficients are presented below:

$B_{CA} = \alpha + \beta DC + ei \quad \beta<0$ ………………. (1)
$B_{CA} = \alpha + \beta CBN + ei \quad \beta<0$ ………………. (2)
$B_{CA} = \alpha + \beta CB + ei \quad \beta<0$ ………………. (3)
$B_{CA} = \alpha + \beta Y + ei \quad \beta>0$ ……………. (4)
$B_{CA} = \alpha + \beta GE + ei \quad \beta<0$ ………………. (5)
$B_{CA} = \alpha + \beta_1 DC + \beta_2 Y + ei \quad \beta_1 < 0, \beta_2 > 0$ …… (6)
$B_{CA} = \alpha + \beta_1 CBN + \beta_2 Y + ei \quad \beta_1< 0, \beta_2 > 0$………(7)
$B_{CA} = \alpha + \beta_1 CB + \beta_2 Y + ei \quad \beta_1<0, \beta_2> 0$………..(8)
$B_{CA} = \alpha + \beta_1 CBN + \beta_2 GE + ei \quad \beta_1<0, \beta_2< 0$………..(9)
$B_{CA} = \alpha + \beta_1 CB + \beta_2 GE + ei \quad \beta_1<0, \beta_2< 0$……….(10)

Where:

BCA = Current Account Balance
DC = Aggregate Credit to Domestic Economy
CBN = Credit by Central Bank of Nigeria
CB = Credit by Commercial Banks
Y = Gross Domestic Product at current market prices
GE = Government Expenditure
ei = Stochastic variable or error term
α = Intercept
β, β_1, β_2 = Parameter estimates

The model of the study will employ monetary phenomenon approach. This is a modern approach to the theory of balance of payments adjustment mechanism. The economic arguments that is, justifications for this model / approach include the fact that:

- The Nigerian policy makers have bias for monetary policy instruments in their measures to achieve macroeconomic stability.
- The availability of monetary variables data for the period under analysis.
- The simplicity of the approach gives it the research efficiency award and therefore deserves a reasonably thorough exposition and verification, in order to ascertain its validity (Bhatia, 1982).

TECHNIQUE FOR EVALUATION OF RESULTS

The technique for evaluation of results implies the use of the following standard criteria: R^{-2} (adjusted R^{-2} for degrees of freedom) for testing goodness of fit of the estimated regression equation; F (ratio) for testing the significance of the regression coefficient; t (ratio) for testing the significance of each regression coefficient; and 'd' statistic (Durbin-Watson) for testing the randomness of the residuals.

Finally, a priori sign and magnitude of the coefficients will be used to evaluate the results and tests conducted to ensure that the assumptions of the ordinary least square method are fulfilled.

DATA PRESENTATION AND ANALYSIS

PRESENTATION OF RESULTS

This part focuses on the analysis of, and interpretation of the result generated from the regression analysis. It helped in providing the set of data used a practical meaning, the result, serving as a yard-stick/benchmark for the measurements of the various impacts which the different variables have on Nigeria's Current Account Balance (BCA) of the country (NIGERIA).

The regression results are summarized in table 1 below:

TABLE 1 SUMMARY OF REGRESSION RESULTS

Equation	Constant	DC	CBN	CB	Y	GE	R^2	Fs	D.W.
1.	-2.95	1.79 (0.33)					0.6005	30.06	0.807
2.	2.86		1.67 (1.50)				0.058	1.23	0.197
3.	-2.52			4.46 (0.49)			0.8049	82.52	0.92
4.	-5.30				0.23 (0.02)		0.8148	88.02	0.492
5.	-4.74					1.88 (0.26)	0.718	50.93	0.597
6.	-5.11	-0.83 (0.55)			0.32 (0.06)		0.8346	47.93	0.547
7.	-21168		-2.92 (0.50)		0.30 (0.02)		0.9332	132.74	1.51
8.	-4.38			1.83 (1.95)	0.14 (0.10)		0.823	44.17	0.633
9.	91741		-3.58 (0.73)			2.61 (0.23)	0.8749	66.42	1.93
10.	-1.32			6.04 (1.96)		-0.72 (0.87)	0.8117	40.96	1.08

Source: PC-Give Regression Result Print out

The number in parentheses is standard error values

STATISTICAL TESTS OF SIGNIFICANCE

In this study, two types of test are conducted: the test for the statistical significance of each estimator (t-test) and similarly the test of the estimator's significance (F-test). The tests are conducted at the 5% significance level.
In a given regression equation with k regressors for estimator's test of significance, the null hypotheses is:
H_0: $\beta_i = 0$
And the alternative hypothesis is
H_1: $\beta_i \neq 0$
For a decision the observed F-ratio, Fs, is compared with the theoretical F-ratio, $F_{0.05}$, which has V_1 = k- 1, V_2 = N-K degrees of freedom; N is the sample size and K is the total number of parameters estimated.
The decision rules are:

i. If Fs > $F_{0.05}$, Reject H_0 - the regressor have a significant influence on the dependent variable;
ii. If Fs < $F_{0.05}$, Accept H_0 - the regressor have an insignificant influence on the dependent variable.

Furthermore, two-tailed tests are conducted by comparing the observed t-ratio, t_s, with the theoretical t-ratio, $t_{(0.025)}$ that has degrees of freedom N-K. The null and alternative hypotheses are respectively,
H_0: bi = 0
H_1: bi ≠ 0
The decision rules are:

i. If $/t_s/ > / t_{(0.25)} /$, Reject H_0 - β_i is not equal to zero and with regressor influence, the dependent variable significantly;
ii. If $/t_s/ < / t_{(0.025)} /$, Accept H_0, β_i is not statistically different from zero and with explanatory variable does not influence the regression significantly.

Now, from the 'F' distribution table, the theoretical F-ratios at 5% significance level are 4.3248 and 3.4928 for the cases of one and two regressors, respectively. From the student's 't' distribution table, the theoretical t-ratio for two-tailed test at 5% significance level are 1.721 and 1.725 for the cases of one and two regressors respectively. At this point, these theoretical ratios are compared accordingly with the Fs of the various estimators and observed t-ratio (t_s) for each parameter, and next we simply summarize which equations are significant or not.
In equation (1), both tests revealed that Aggregate credits to Domestic Economy were significant in explaining current account balance. But in equation (2), both tests showed that Aggregate credits by the Central Bank of Nigeria were insignificant in explaining current account balance. However, both tests indicated that credit by Commercial Bank, Gross Domestic Product and Government Expenditure were respectively significant in equations (3), (4) and (5).
In multiple (three variables) regression equations (6), (7), (8), (9) and (10), both tests also revealed the significance of each estimator. But in equation (6), the estimator of Domestic Credit is revealed by the test to insignificant. The same is applicable to the estimator of Government Expenditure in equation (10). In equation (8), credit by Commercial Bank and Gross Domestic Product were not significant. In other equations, the two tests showed that both estimators are significant in explaining current account balance.

EXAMINATION OF ALGEBRAIC SIGNS OF PARAMETER ESTIMATES

How far do the directions of the influences of the various explanatory variables on the external account (balance on current account) conform to the a priori expectations as shown in the equation specified? This question is warranted since any reliable estimated regression equation is expected to conform to the priori restrictions imposed or determined by the theoretical underpinning of the study in question. They are examined below.
In simple regression equations, (1), (2) and (3), the coefficients of Aggregate Credit to Domestic Economy, credit by Central Bank and credit by Commercial Bank did not conform to the expected negative sign respectively. This was also the case with the coefficient of Government Expenditure in equation (5) as the wrong positive sign was got. However, the coefficient of Gross Domestic Product conforms to the expected 'positive' sign.
In multiple regression equations, the variables in equations (6) and (7) conformed to their respective apriori expectations. In equations (8), (9) and (10) Commercial banks credits and government expenditure, credits by the Central Bank did not conform to apriori expectation but gross domestic product and government expenditure (in equation 10) conformed to apriori expections.
A common cause of worry in empirical research is the appearance of 'wrongly' signed coefficients in regression models. It is the view of Rao and Miller (1971) that if specification or interpretation of the coefficient is correct, a coefficient can still attain a wrong sign because of the sampling distribution of the estimates. If this is the case, it will be generally observed the coefficients to be not significantly different from zero statistically. Now the 'wrong' signs in some of our multiple regression results are consistent with the signs in the simple regression results and no error is detected in the definition or interpretation of variables. Also, an observation of the monetary variables show on increasing pattern while current account balance show non-systematic pattern and finally, the F-test and t-test tend to suggest the non significance of some of the explanatory variables.

TEST OF MULTICOLLINEARITY AND AUTOCORRELATION

In applied econometric research, the realism of the assumptions of non multicollinearity (or non-perfect collinearity) and non-autocorrelation are tested, in order to ascertain the reliability of the parameter estimates.
In multicollinearity test, the coefficient of multiple correlations, R, is compared with the simple correlation coefficient between two explanatory variables or with the partial correlation coefficient between any two independent variables. If several coefficients have high standard errors and dropping one or more variables from the equation lowers the standard errors of the remaining variables, multi-collinearity will usually be the source of problem (Pindyck and Rubinfeld, 1981). However, this study is limited to simple regression equation and three variables multiple regression equation, hence the tendency for multi-collinearity to exist is small or not likely to be of serious problem.
In auto correlation test, we use D.W. Limits on a 5% level of significance and k degrees of freedom; to compare the theoretical lower and upper limits of the Durbin-Watson statistics dl and 4-dl respectively, with the observed or computed D.W. statistics dc.

i. If D.W = 2 there is no autocorrelation;
ii. If D.W ≠ 2 then autocorrelation exists.

Now, the regression results as shown in table 1 reveal that autocorrelation exists in all the equations as the D.W. values of the equations are not equal to two (2).

FINDINGS, CONCLUSION AND RECOMMENDATIONS

The empirical evidence or test results presented do not support our first null hypothesis that there is no significant relationship between monetary variables (domestic credit, credit by Central Bank of Nigeria and credit by Commercial Bank) and account balance. The significance of credit by Central Bank, credit by commercial banks and Aggregate credit to the Domestic Economy can be seen in their respective low adjusted coefficient of multiple determination (R^2) and results of F-test and t-test.
The second null hypothesis that there is no significant relationship between the real variables and balance on current account does not tend to be supported by the empirical evidence. There were positive and significant relationship between Gross Domestic product and current account balance. Although Government Expenditure was significant in explaining current account balance, yet its coefficient had positive sign contrary to the expectation. Again, despite the significance of these real variables, they were associated with moderate adjusted coefficient of multiple determinations.
To evaluate the third hypothesis we have to examine equations (6) and (10) very critically. The evaluation of result of the regression results supports the third alternative hypothesis that compared to monetary variables, real variables (in this case, Gross Domestic Product) are more important in explaining variation in current account balance.
Generally, the results of this study tend to suggest that Nigerian Monetary and fiscal authorities should give greater priority to other instruments or measures than monetary tools to achieve balance of payments stability. From the various tests concluded and hypotheses evaluated, it might well imply that the

manipulation of domestic credit by the monetary authorities will not enhance the balance of payment viability over time rather that increases in the level of output (as indicated by significant positive coefficient of Gross Domestic Product).

As a test of economic theory, the results of this study may well suggest to the inconclusiveness of the monetary approach to the theory of balance of payments adjustment mechanism as already suggested by most studies reviewed in chapter two. In particular the results of the study imply that problems of the Balance of payments, cannot, to a large extent, be traced to the monetary policies of Government.

Finally, for a developing country such as Nigeria, the conduct of any policy instrument is likely to be a difficult task. Thus the use of a policy tool for the present study has revealed the relative importance of Gross Domestic Product to Domestic Credit in determining balance of payments outcome (current account balance). In essence, this means that policies should be directed to increase the level of output that will invariably lead to favorable balance on current account, than domestic credit control policies.

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REVIEW OF PERFORMANCE ASSESSMENT TOOLS USED BY HEALTH CARE ORGANIZATIONS IN LOW RESOURCE SETTING COUNTRIES

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ABSTRACT

The purpose of this paper is to review tools that assess the performance of public/private health departments/organizations to respond to health needs of people. The methodology is based on identifying and developing matrix of composite attributes of organizational performance assessment tools based on the work of various frameworks of measuring capacity/performance of organizations. The composite attribute developed consists of 19 parameters (methodology, self/external, single/multiple instruments, administrative and legal environment, socio-cultural political and advocacy environment, mission and values, leadership, strategic management, organizational structure, infrastructure, human resources and financial resources, human resource management, financial management, monitoring and evaluation systems, logistics and supply system, external relations/collaborations, sector wise strategy, quality assurance, organizational learning, responsiveness to client/service delivery) that are vital for measuring the performance of organization to yield better health outputs and outcomes. Twenty three organizational assessment tools were reviewed. HR Management, Human Resources, Financial Management, Strategic Management, External Coordination and Service delivery are the composite attributes most commonly used in the assessment tools. Logistics and supply management, quality assurance, monitoring and evaluation, infrastructure, external factors, mission and values are the least preferred attributes in the tools reviewed. The majority of the 23 tools reviewed employ several data collection instruments. Nearly half of them used a combination of qualitative and quantitative methods. Half of the tools reviewed are applied through self-assessment techniques The scope of the assessment and the resources available will strongly influence the selection of tools and instruments to be used during the assessment. The composite attributes designed in the study would facilitate organizations in selecting the organizational assessment tools as per their local needs and requirements. Differences in the design, content and management of organizational systems translate into the differences in a range of socially valued outcomes, such as health, responsiveness, or fairness. Decision makers at all levels need to quantify the variation in organizational system performance, identify factors that influence it and articulate policies that will achieve better results in a variety of settings. Meaningful, comparable information on organizational system performance, and on key factors that explain performance variation, can strengthen the scientific foundations of health policy at organizational levels.

KEYWORDS

Capacity Building; Management; Organizational Effectiveness and Efficiency; Organizational Performance Assessment.

INTRODUCTION

Organizing of people for achieving common goals and utilizing management principles have been a phenomenon known for centuries, its development and changes running parallel with human society. Donor organizations are increasingly focused on the problems inherent in supporting sustainable health systems, requiring greater attention to building capacity within those systems. Despite this increased attention to capacity building, there is still little consensus on the role it plays in improving performance, or on approaches to measuring the effectiveness of capacity building interventions. The notion of capacity assessment and capacity development has historically been blurry and unclearly defined. It is difficult to appropriately assess something when what is being measured is unknown. The literature presents a variety of different viewpoints regarding this lack of clarity and elucidates different ways to refine the theory behind capacity development and its assessment.

Samuel Paul (Paul (1995), in his seminal paper, established that past development efforts had been unsuccessful because of their lack of attention to the human and institutional capabilities of the countries involved. Donors were, and are, more interested in capital investments and structural capacity, but Paul noted that capital and structures will not be efficient unless matching human and institutional capabilities exist; trained personnel will only be utilized to their maximum potential in organizational settings that are well developed.

Christopher Potter and Richard Brough (Potter and Brough, 2004) further developed Paul's framework. The authors noted the widespread frustration with the now clichéd jargon of capacity development and assessment. Different stakeholders employ different conceptual definitions, thereby creating diverging expectations regarding action plans, goals, and timelines for achieving said goals. To avoid this, capacity assessment should focus on the capacity for program execution independent of changes of personalities, technologies, social structures and resources crises, thus implying the development of a sustainable and robust system," with assessment being the measurement of a system as such.

OECD (OECD 2006), in their document on capacity development, again recognized the continuing blurriness of the concept's definition. In response to the need for a concrete meaning, capacity was then defined as the "ability of people, organizations and society as a whole to manage their affairs successfully." Three analytical levels are employed in this definition: individual, organizational, and the enabling environment.

UNDP (UNDP, 2006) adopts a stand conceptually similar to the OECD framework. Their definition of capacity is "the ability of individuals, institutions, and societies to perform functions, solve problems and set and achieve objectives in a sustainable manner." UNDP used the same three analytical levels as OECD, but they further divided the levels into types of cross-cutting functional capacities to measure, which are the ability to: engage in multi-stakeholder dialogues; analyze a situation and create a vision; formulate policy and strategy; budget, manage and implement; and to monitor and evaluate.

DFID's Source Book, (DFID, 2006) describes the key tools used in institutional development and assessment. It covers analysis and diagnosis of the overall institutional framework, review and design of the assessment and subsequent intervention, and also describes implementation strategies for change. The McKinsey Capacity Assessment Grid (McKinsey, 2003), designed specifically for NGOs and nonprofits to assess their organizational capacity, which includes many sample assessment questions.

With the growing importance that has been attached to institutional and capacity development over the past few years, development practitioners have started to develop and apply a range of conceptual frameworks and practical tools to assist in the formulation and implementation of projects and programmes, and to ensure that adequate account is taken of capacity development issues. Such tools and instruments need to be practical, flexible and 'user-friendly', and their use needs to be accompanied by sound judgment and common sense. The ultimate test of their utility is whether they can assist practitioners and stakeholders in sorting out complex issues, and facilitating decision-making and action planning.

The purpose of this paper is to review tools that assess the performance of public/private health departments/organizations to respond to health needs of people. Capacity building is now one of the most frequently invoked of current development concepts and yet it continues to defy a shared definition of what it means in practice. Is it possible that capacity building demands such a radically new form of practice, such a radically new form of thinking, that our current approaches are doomed to failure, not because we lack adequate models or 'technologies', but because our very approach to the issue is inadequate? Arguing that conventional performance-building initiatives have tended to focus on the material and tangible aspects of the capacity of an organization and its people to be critically self-aware, the review outlines some fundamental shifts which would be both entailed and generated by concentrating on the practice of the development practitioner in relation to organizational development, rather than focusing on external appearances or rushing to the training manuals.

METHODOLOGY

The methodology is based on identifying and developing matrix of composite attributes of organizational assessment tools based on the work of various frameworks of measuring capacity/performance of organizations. There are a number of tools available to assess and discuss the capacity of an organization. Organizational assessment tools mainly used in last one and half decade were considered for the review. Twenty-three organizational assessment tools valid in low resources setting countries based on consultation with experts and literature review were finally selected for the assessment. {Table 1}

TABLE 1: ASSESSMENT TOOLS

S.No.	Organizational Assessment Tools
1	Assessing Institutional Capacity in Health Communication: 5Cs Approach, John Hopkins University
2	Community-Based Distribution Interview Guide: A Gems Management Tool, Family Planning Management Development Project (FPMD)
3	Decision Oriented Organization Self Assessment (DOSA), PACT & USAID)
4	Enhancing Organizational Performance: A toolbox for self assessment, International Development Resource Center (IDRC)
5	Systematic Approach Scale (SAS), PASCA/USAID
6	Integrated Health Facility Assessment (IHFA), BASICS USAID
7	Management and Organizational Sustainability Tools (MOST), MSH
8	Participatory Results Oriented Self Evaluation (PROSE), Education Development Center and PACT
9	The Manager: Capacity Assessment Toolkit Series, FPMD/FHI/MSH
10	Institutional Assessment Instrument (IAI), World Learning Project Inc.
11	REACH 2010, Giles, WH et al 2004
12	OCAT: Organization Capacity Assessment Tools by PACT
13	Community Participitation Assessment Tools, Karen Lehman, 1999
14	Facilitative Evaluation Approaches, Action Evaluation Research Institute
15	MEASURE Framework for capacity measurement
16	FOCUS, BRAC/USAID
17	Institutional Self Reliance (ISR), Jerry Vansant Research Triangle Institute
18	Training and Technical Assistance Plan (TTAP), Counterpart International 1999
19	Institutional Strength Assessment (ISA)USAID/PVC
20	Institutional Development Framework, MSI
21	Organizational Capacity Indicator (OCI), CRWRC
22	Fisher, 1997
23	NGO Sustainability Index, USAID

REVIEW

Capacity is defined as "the ability to carry out stated objectives." In the literature, it is described as a process and an outcome. Capacity develops in stages and is multidimensional. In the health sector, for example, capacity is required at four levels: health system, organization, health personnel, and individual/community. Common to all characterizations of capacity is the assumption that capacity is linked to performance. Nevertheless, understanding capacity measurement is hindered by 1) a lack of common understanding of the nature of the relationship between capacity and performance; 2) variation in what constitutes "adequate" performance; and 3) the influence of the external environment on capacity and performance.

Numerous frameworks for describing or assessing the institutional capacity of development organizations are in development and use. Fortunately there is a great deal of similarity in these frameworks, reflecting the fact that there is a well-developed emerging consensus on the attributes that make for effective and sustainable institutions. Where frameworks differ is in emphasis, semantics, and in the way certain attributes are defined or clustered. "Governance," for example, can refer to the relatively narrow issue of an organizations legal (governing) structure or it can be a category encompassing the organization's culture, mission and values. "Management" can be used to refer rather narrowly to management systems and procedures or be used in the much broader sense of strategy and leadership. "Strategic Management" can include factors of governance and a sense of vision or mission.

In discussion with public health professionals and review of various frameworks used for assessing capacity/performance of organization, this paper focuses on 19 composite attributes as follows: Assessment Approach (methodology, self/external, single/multiple instruments), External Factors (administrative and legal environment, socio-cultural political and advocacy environment), Governance (mission and values, leadership, strategic management), Inputs (organizational structure, infrastructure, human resources and financial resources) and Processes (human resource management, financial management, monitoring and evaluation systems, logistics and supply system, external relations/collaborations, sector wise strategy, quality assurance, organizational learning, responsiveness to client/service delivery). The review outlines the elements of capacity that are critical at organizational level, and breaks down these components into assessment level, external factors, inputs and processes.

The review does not capture the outputs and outcomes envisaged in various frameworks. The review could serve as a starting point for determining critical elements in selecting capacity assessment tools and finally guide planners in developing a strategy for monitoring and evaluating the effect of capacity building activities. Existing indicators to measure the effects of tools on capacity building in health and population programs vary enormously.

The matrix below provides a composite set of attributes that are taken in consideration while assessing the capacity assessment tools.

FIGURE 1: MANAGEMENT ATTRIBUTES AND ASSESSMENT TOOLS

S.No.	Organizational Assessment Tools	Assessment Approach			External Factors		Governance			Inputs				Management Process								
		Methodology (Quantitative (Qlty),Qualitative(QLTY))	Self/External Assessment	Single/Multiple Instruments	Administrative and Legal Environment	Socio Cultural, Political and Advocacy Environment	Mission and Values	Leadership	Strategic Management	Organizational Structure	Infrastructure	Human Resources	Financial Resources	HR Management	Financial Management	Monitoring and Evaluation Systems	Logistics and Supply System	External Collaboration/ coordination	Sector wise strategy	Quality Assurance/Control	Responsiveness to Client /Service Delivery	Organizational Leranings
1	Assessing Institutional Capacity in Health Communication: 5Cs Approach, John Hopkins University	Qlty	Both	Multiple	Yes	Yes			Yes							Yes		Yes	Yes	Yes	Yes	Yes
2	Community-Based Distribution Interview Guide: A Gems Management Tool, Family Planning Management Development Project (FPMD)	Both	Self	Multiple										Yes							Yes	
3	Decision Oriented Organization Self Assessment (DOSA), PACT & USAID)	Both	Self	Multiple					Yes					Yes	Yes			Yes			Yes	
4	Enhancing Organizational Performance: A toolbox for self assessment, International Development Resource Center (IDRC)	Both	Both	Multiple	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		Yes				
5	Systematic Approach Scale (SAS), PASCA/USAID	Qlty	Both	Single	Yes	Yes			Yes					Yes							Yes	Yes
6	Integrated Health Facility Assessment (IHFA), BASICS USAID	Qlty	External	Multiple					Yes			Yes	Yes	Yes	Yes	Yes		Yes			Yes	Yes
7	Management and Organizatinal Sustainability Tools (MOST), MSH	Qlty	Self	Single			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
8	Participatory Results Oriented Self Evaluation (PROSE), Education Development Center and PACT	Both	Self	Single					Yes					Yes	Yes			Yes			Yes	Yes
9	The Manager: Capacity Assessment Toolkit Series, FPMD/FHI/MSH	Qlty	Self	Multiple					Yes	Yes				Yes	Yes							
10	Institutional Assessment Instrument (IAI), World Learning Project Inc.	Both	External	Multiple				Yes		Yes		Yes		Yes		Yes					Yes	
11	REACH 2010, Giles, WH et al 2004	Both	Self	Multiple	Yes	Yes		Yes		Yes		Yes		Yes		Yes		Yes			Yes	
12	OCAT: Organization Capacity Assessment Tools by PACT	Both	Both	Multiple	Yes							Yes	Yes	Yes	Yes			Yes			Yes	
13	Community Participation Assessment Tools, Karen Lehman, 1999	Qlty	Self	Single				Yes		Yes				Yes	Yes						Yes	
14	Facilative Evaluation Approaches, Action Evaluation Research Insitute	Qlty	Both	Multiple					Yes	Yes		Yes		Yes				Yes			Yes	
15	MEASURE Framework for capacity measurement	Qlty	Self	Multiple								Yes	Yes	Yes	Yes							
16	FOCUS, BRAC/USAID	Qlty	Self	Multiple						Yes		Yes		Yes							Yes	
17	Institutional Self Reliance (ISR), Jerry Vansant Research Triangle Institute	Both	Both	Multiple			Yes					Yes	Yes	Yes	Yes			Yes				
18	Training and Technical Assistance Plan (TTAP), Counterpart International 1999	Qlty	Both	Multiple			Yes	Yes				Yes	Yes	Yes	Yes			Yes			Yes	
19	Institutional Strength Assessment (ISA)USAID/PVC	Both	Self	Multiple					Yes			Yes	Yes	Yes	Yes						Yes	Yes
20	Institutional Development Framework, MSI	Both	Both	Multiple			Yes					Yes	Yes	Yes	Yes			Yes				
21	Organizational Capacity Indicator (OCI), CRWRC	Both	Self	Multiple	Yes			Yes				Yes		Yes			Yes					Yes
22	Fisher, 1997	Qlty	Both	Multiple	Yes	Yes						Yes	Yes	Yes	Yes							
23	NGO Sustainability Index, USAID	Both	Both	Multiple	Yes	Yes						Yes	Yes	Yes	Yes					Yes		

CONCLUSION

Capacity assessment tools designed to assess organizational performance are reviewed in the paper. The majority of the 23 tools reviewed employ several data collection instruments. Nearly half of them used a combination of qualitative and quantitative methods, four used quantitative method and seven used qualitative methods. Half of the tools are applied through self-assessment techniques, while nine tools use a combination of self and external assessment and two tools use external assessment. Self-assessment tools can lead to greater ownership of the results and a greater likelihood that capacity improves. However, many such techniques measure perceptions of capacity, and thus may be of limited reliability if used over time. The use of a self-assessment tool as part of a capacity building intervention may preclude its use for monitoring and evaluation purposes. Methodologies for assessing capacity and monitoring and evaluating capacity building interventions are still in the early stages of development. Experience of monitoring changes in capacity over time is limited. Documentation of the range of steps and activities that comprise capacity development at the field level is required to improve understanding of the relationship between capacity and performance, and capacity measurement in general. Finally, there are few examples of use of multiple sources of data for triangulation in capacity measurement, which might help capture some of the complex and dynamic capacity changes occurring within systems, organizations, program personnel, and individuals/communities.

TABLE 2: ASSESSMENT APPROACH

Assessment Approach		
Methodology	Self/ External Assessment	Single/ Multiple Instruments
Only Quantitative = 5 Tools	Self Assessment=10 Tools	Single Instrument = 4 Tools
Only Qualitative = 6 Tools	External Assessment = 2 Tools	Multiple Instruments =19 Tools
Quantitative + Qualitative= 12 Tools	Both =10 Tools	

Methodological challenges to measuring capacity relate to the inherent nature and role of capacity and capacity building interventions in the health sector. The capacity building cycle can make use of a wide range of tools and instruments from social research (like document analysis, site visits, interviews, surveys, discussion/focus group discussion) to form a process-driven methodology. As capacity and capacity building are contextual, i.e. are bound to the specific conditions of each region/each institution, the approach for conducting a systematic capacity building needs assessment should take these specific conditions into account, and select tools and instruments for the needs assessment process which are adjusted to the existing conditions. Essentially, each assessment process will look differently from another, in the same way as the resulting capacity building programs will look differently, and might use a different mixture of diagnostic tools and instruments. The scope of the assessment and the resources available will strongly influence the selection of tools and instruments to be used during the assessment.

Nearly one third of tools reviewed include administrative and legal environment aspect and one fourth include socio cultural, political and advocacy environment while doing the assessments. External factors represent the supra-system level and the milieu that directly or indirectly affects the existence and functioning of the public health organization. It incorporates phenomenon such as the social, political, and economic forces operating in the overall society, the extent of demand and need of public health services within community, social values. Inclusion of external factors in assessment tool demonstrates that organization is engaged in dynamic relationships.

TABLE 3: EXTERNAL COMPOSITE ATTRIBUTES

	External Factors	
	Administrative and Legal Environment	Socio Cultural, Political and Advocacy Environment
% Tools having External Factor Attributes	34.8	26.1

One fifth of organizational capacity assessment tools reviewed have mission and values attribute, and nearly 30% tools have leadership and 44% strategic management attribute in the tools. Governance of organization include its mission, values and goals is conceptualized as being carried out through the performance of the core functions of assessment, policy development and assurance. In this review leadership and strategic management is considered as a part of Governance. An organization's mission is its purpose, the reason it exists. It provides guidance, consistency, and meaning to decisions and activities at all levels. It answers the question, why do we do what we do. An organization's strategies are the broad approaches used to define the programs and activities that will fulfill the organization's mission and goals. The strategies answer the question, how will we get to where we want to go?

TABLE 4: GOVERNANCE ATTRIBUTES

	Governance		
	Mission and Values	Leadership	Strategic Management
% Tools having Governance Attributes	21.7	30.4	43.5

Inputs of any organization are the cumulative resources and relationship necessary to carry out the important processes of the organization. Inputs include the following components: organization structure, infrastructure, human and finance resources. Input refers to the programs, projects, and offices that make up an organization. Input answers the question, Are we organized in a way that facilitates what we want to do and where we want to go? The review reveals that human resource is vital composite attribute in 70% of tools, financial resources in 48%, organizational structure in 35% of the tools. Infrastructure attribute is available only in 9% of the tools.

TABLE 5: INPUT ATTRIBUTES

	Inputs			
	Organizational Structure	Infrastructure	Human Resources	Financial Resources
% Tools having Input Attributes	34.8	8.7	69.6	47.8

Measuring processes in terms of management system involves human resource management, financial management, monitoring and evaluation systems, logistics and supply systems, external relationships, service delivery, organizational learning. Processes answer the question, what helps us to carry out our activities? Human resource (HR) management attribute is integral part of nearly all the organizational assessment tools reviewed. Financial management and responsiveness to client/service delivery attribute is available in 65% of the tools. Half of tools have external collaboration/coordination attribute. Monitoring and evaluation and organization learning attribute is present only in one fourth of the tools reviewed. Logistics and supply system, sector wise strategy and quality assurance attributes are hardly part of less than 10% tools reviewed.

TABLE 6: MANAGEMENT PROCESS ATTRIBUTES

	Management Process								
% Tools having Management Process Attributes	HR Management	Financial Management	Monitoring and Evaluation Systems	Logistics and Supply System	External Collaboration/ coordination	Sector wise strategy	Quality Assurance /Control	Responsiveness to Client /Service Delivery	Organizational Leanings
	95.7	65.2	26.1	8.7	52.2	8.7	8.7	65.2	30.4

Experience elsewhere has shown that the process of assessing or measuring capacity is as important as the implementation of targeted capacity building initiatives, especially if the assessment process involves participatory group discussions, workshops and joint assessment exercises. The selection of tools and instruments must therefore be geared towards creating such discussion and learning opportunities for the members of an organization.

This review does not do justice to the richness of these tools, most of which provide sub-categories and/or indicators to give substance and meaning to the attributes. Another point worth noting is that many of these tools come with highly participatory suggestions as to how they are to be used. That is, the purpose often is not simply to judge an organization's capacity but rather to provide a learning tool for institutional self-understanding and a launching pad for capacity enhancement. In this approach, the study plays a facilitating role in determining the selection of capacity assessment tools in evaluating the organization. Differences in the design, content and management of organizational systems translate into the differences in a range of socially valued outcomes, such as health, responsiveness, or fairness. Decision makers at all levels need to quantify the variation in organizational system performance, identify factors that influence it and articulate policies that will achieve better results in a variety of settings. Meaningful, comparable information on organizational system performance, and on key factors that explain performance variation, can strengthen the scientific foundations of health policy at organizational levels.

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FOREIGN EXCHANGE MARKET AND THE NIGERIA ECONOMY

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ABSTRACT

Prompted by the need to argue Akpan's earlier study and findings, this paper attempts to empirically examine the effect of the demand and supply of foreign exchange on the gross domestic product of the Nigerian economy over a fourteen (14) year-period (1995-2008). Employing the use of vector auto regression (VARs) models on the time series data, the result reveal that supply of foreign exchange has a positive and significant relationship with output level of Gross Domestic Product while the demand for foreign exchange has a negative relationship with gross demand product. This implies that the growth in supply of foreign exchange has resulted in an increase in the Gross Domestic Product in Nigeria. Finally, the study recommends that the determinants of the demand for foreign exchange should be analized in order to understand what occasioned the negative relationship with Gross Domestic Product.

KEYWORDS

Exchange, Market, GDP, Economy.

INTRODUCTION

As the main engine of globalization, international finance relies heavily on the operations of the foreign exchange market. This operation includes the buying and selling of foreign goods, services or financing assets that leads to the exchange of domestic currency or bank deposit for foreign currency or bank deposit denominated in different currencies. Like any good or asset in a free market, the trading of currency and bank deposit denominated in particular currencies is determined by the interaction of supply and demand. Allocation efficiency is achieved when the foreign exchange market, through the interaction of the forces of demand and supply succeeds in solving financial imbalances that exists between countries. It is the role of the foreign exchange market to continue to strive and reduce trade deficit through the demand-supply mechanism. The domestic economy will feel the effect of the trading activities more positively when the Gross Domestic Product (GDP) is on the increase. The evolution of the foreign exchange market in Nigeria up to its present states was affected by the changing pattern of international trade, institutional changes in the economy and structural shifts in production. These suggest that when a country's currency appreciates (rises relative to the other currencies) due to increase in production, the country's goods abroad become more expensive and foreign goods in that country become cheaper (holding domestic prices constant in the two currencies). Conversely, when a country's currency depreciates as a result of decrease in production, its goods abroad become cheaper and foreign goods in that country become more expensive. Appreciation of a currency can make it harder for domestic manufacturers to sell their goods abroad and can increase the competition at home from foreign goods because they cost less.

To perform its trading function optimally, the foreign exchange market must impact the economy appropriately to cause an increase in production. Two market activities: Demand and supply of foreign exchange are cardinal for our purposes. The manner in which Gross Domestic Product (GDP) changes is a function of the degree of impact of the forces of demand and supply.

Gross Domestic Product is employed as proxy for economic growth in this study. It is conceptualized as the total monetary value of all goods and services produced in an economy over a specific period of time, usually one year. For the purpose of this paper, we are concerned with the interaction of the forces of demand and supply in the foreign exchange market that brings about corresponding impact on the economy.

By definition, the foreign exchange market is organized as an over-the-counter market in which several dealers (banks, companies and government) stand ready to buy and sell deposits denominated in foreign currencies. (Mishkin, 1997). In order to chart future paths for the Nigeria economy's responses to the activities of the foreign exchange market, it is essential to first find out it responses in the past. It is necessary however, to determine the effect of important foreign exchange market indicators such as the demand for and supply of foreign exchange on the Gross Domestic Product of the Nigeria economy. (Mishkin, 1997).

Previous studies have attempted to demonstrate that the activities of the foreign exchange market influence the economic growth of Nigeria. In this context, economic growth is defined as a sustained rise in the output of goods, services and financial assets with the sole purpose of improving the economic and financial welfare of the citizens. While they appear to agree on the significant effect of foreign exchange market activities, there seems to be disagreement in the relative effects on production. For instance, in Akpan's (2009) study, only exchange rate (EXCHR) representing the foreign exchange market in Nigeria was discovered to exert significant influence on the economics growth. Other factors such as labour force and technology were not found to statistically affect economic growth. Unique in its approach, this study seek to focus on the critical response of Gross Domestic Product (GDP) to stimuli provided by the activities of the foreign exchange market in Nigeria. The point of departure is to determine the relationships between the demand and supply of foreign exchange (foreign exchange market operation) and the Gross Domestic Product (economic growth indicator). Finally, the paper attempts to answer the question of whether or not foreign exchange market activities significantly and positively affect the economy.

LITERATURE REVIEW

Several studies have been conduced on the efficiency of foreign exchange market operations in predicting economic growth. According to Nnamdi, (2009), trading offers opportunities for international exchange of commodities and services. This tends to boost national economic growth when it is appreciably driven by relative advantages arising from the factor endowments prevailing in the producing regions and economies. From this premise, the foreign exchange process offers nations the opportunity to produce goods for wider markets and consequently realize higher prices compared to the prevailing domestic prices for goods and services. Greater opportunities also exist because the same country could take advantage of trade to import at lower prices, goods which under normal circumstances would attract higher prices if produced locally, Nnamdi, (2009). Jhingan (2008) opine that even for emerging economies like Nigeria which produces more of raw materials, efforts to export these products tend to widen their markets. As such, existing resources are employed more productively and resources allocation becomes more efficient with attendant appreciable increase in domestic investment.

In a study of China, Malaysia, Thailand, Brazil, Chile, Taiwan, Singapore and South Korea, Todaro and Smith (2009) demonstrated that trade can serve as an important stimulus to rapid economic growth. They stated that: "Access to the markets of developed nations (bent on export promotion) can provide an important stimulus for the greater utilization of idle human and capital resources. Expanded foreign exchange earnings through improved export performances also provide the wherewithal by which less developed countries can augment their scarce physical and financial resources. In short, where opportunities for profitable exchange arise, foreign trade can provide an important stimulus to aggregate economic growth".

Sadan's (2005) tested for validity of exchange rate determination for 17 countries using Johanson co-interaction methodology and Larsson et al panel co-integration technique. He observed a significant relationship between exchange rate and most determining variables. Ogawa and Kawasaki (2003) and Cloudhry (2005) utilized and generalized the foreign exchange rate theory to explain the non-man reverting behaviour of real exchange rates in East Asia. They found that the real exchange rate will share common trends if fundamental variables are sufficiently interrelated. Krichene (1998) studied the exchange rate determination and price interdependence in five African countries. He employed monthly data of bilateral real exchange rate for the period from 1979 to 1996. The finding of the study was that bilateral real exchange rates revert to long-term equilibrium. Smith and Wickens (1986) analyzed possible reason why the monetary model fails to test a random walk hypothesis for the exchange rate in a paper, "An Empirical Investigation into the Cause of Failure of the Monetary Model for Exchange Rate" for the period of 1973-1982. Frankel (1982) added real financial wealth, which is stock, as financial variable in the money demand function into both flexible price and sticky price version of his paper, "The Mystery of the Multiplying Marks: A Modification of the Monetary model." Auwal Umar and Hamzat Soliu used distributed lag model to show whether or not foreign exchange rate in Nigeria converge or diverge from its long run equilibrium. The findings show that the exchange rate under DAS converges to long run equilibrium while it does not under international foreign exchange market (IFEM). Isard (2007) found that alignment of exchange rates in the market has a critical influence on the rate of growth of per capital output in low income countries.

Apart from those identified above, other related studies have been conducted to evaluate or examine the impact of respective foreign exchange market activities. Akpan (2009), for instance, studies the impact of exchange rate movement on economic growth and found a significant relationship between exchange rate volatility and economic growth in Nigeria. He posits that exchange rate policy should be designed to increased and sustained economic growth.

In another study that introduces more variables and slightly expanded the data make-up of exchange rate determinant (from 1970-2005) the result revealed that besides the basic macroeconomic variables like import, external reserves, inflations, and current account balance, which are acknowledged as determinants of exchange rate instability, a realistic exchange rate is capable of accelerating economic growth, reducing import and also stemming the tide of inflation in a developing economy and should be maintained. (Simeon, Inyang and Akpang; 2009). Uma (2009) attempt to ascertain whether or not foreign private investment has assisted in developing manufacturing capacity utilization in Nigeria. He found that a significant role is contributed by foreign private investors in capacity utilization in Nigeria.

METHODOLOGY

The paper construct a single trade economic growth model patterned after multivariate regression model of linear formulation. We choose this type of model in this study, since it appears to capture the prevailing activities in the foreign exchange market as well as Nigeria economic growth indicator (Gross Domestic Product) of the country of study.

For the purpose of estimation, we employ the use of vector autoregression models (VARs) to times-series annual Nigerian data denominated in Naira from 1995 through 2008. The relevant data were obtained from the statistical bulletin of the Central Bank of Nigeria, (various issues). Analyses of the estimated models are directed to determining the relative effects of the correlates. The detailed specifications of the model are done hereunder.

THE MODEL

Following the arguments in Akpan (2009) and the empirical review earlier made in this study, we can hypothesize that gross domestic product is a positive function of the demand for and supply of foreign exchange. We specify the model as follows:

Economically,

GDP = F(DFE, SFE)

Econometrically,

GDP = a + a2 DFE + a3 SFE + Ut …………(1)

Equation 1 can be used to determine the relationship existing between gross domestic product and the demand and supply of foreign exchange in Nigeria.

DATA ANALYSIS AND INTERPRETATION

This section shows the empirical analysis of this study. It entails the analysis of data on the foreign exchange market and Nigeria economy. This analysis is based on testing the basic assumptions about the relationship between foreign exchange market and Nigeria economy.

Year	Gross Domestic product	Demand Foreign Exchange	Supply Foreign Exchange
1995	2,907,358.18	4,449,118	4,357,901.40
1996	4,032,300.34	1,083,882.80	1,040,800.00
1997	4,189,249.77	4,439,647.90	4,348,295.30
1998	3,989,450.28	7,644,998.60	7,600,944.00
1999	4,679,212.05	24,090,643.90	30,863,667.20
2000	4,582,127.30	70,698,099.90	71,297,029.90
2001	4,725,086.00	85,982,047.90	84,399,404.80
2002	6,912,381.30	95,109,626.10	75,052,779.10
2003	8,487,031.60	104,213,697.00	85,657,468.30
2004	11,411,066.90	92,103,301.00	77,568,017.80
2005	14,572,239.10	61,881,093	65,690,598.40
2006	18,564,594.70	179,578.19	261,755,663.40
2007	20,657,317.70	129,530.85	180,932,982.20
2008	23,842,170.70	578,314.95	916,723,558.80

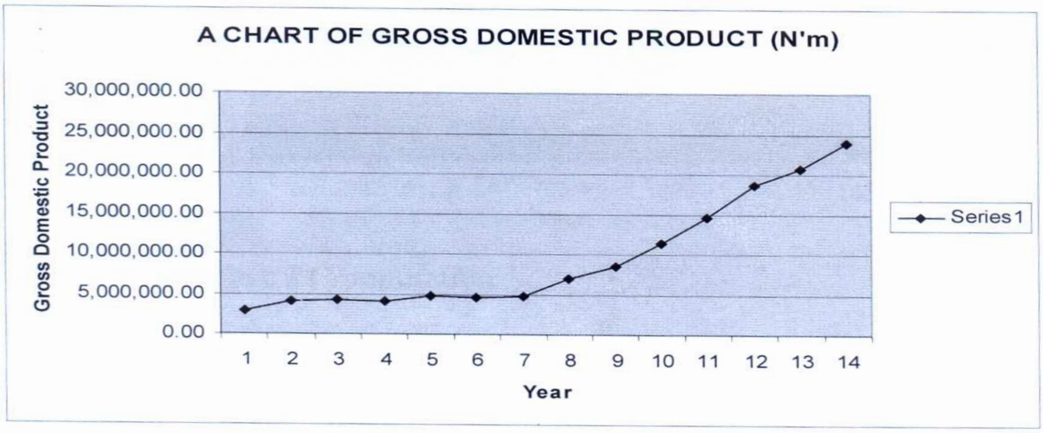
Source: Central Bank of Nigeria, Statistical Bulletin, Various Issue.

Source: National Bureau of Statistics, National Account of Nigeria, Various Issues

Annual time series data for the period of 1995-2008 are used in the present study. This study employs the use of vector autoregressive models (VARs) in examining the effectiveness of the foreign exchange market on the Nigeria economy. VARs have in recent years emerged as the most widely used technique for studying foreign exchange in both developed and developing economies. A VAR is essentially an n-equation, n-variable linear model, in which each variable is in

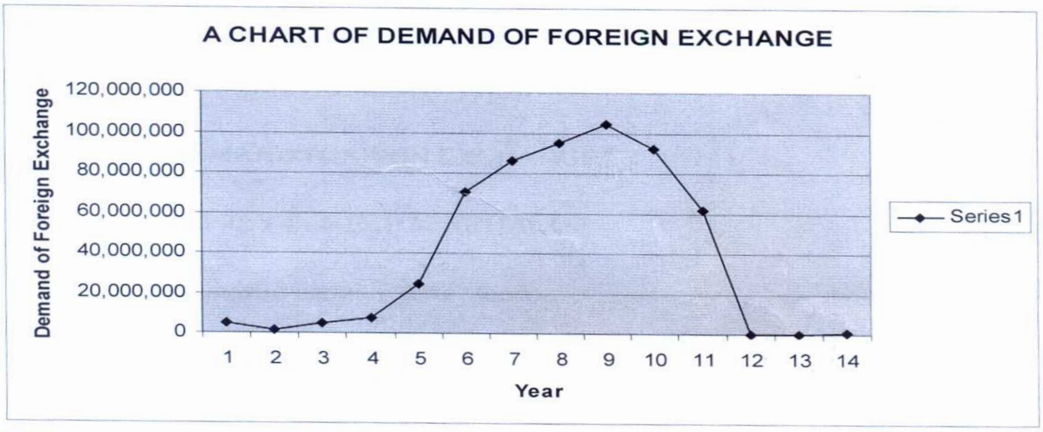
turn explained by its own lagged values (plus current, depending on the variant of the VAR) and past values of the remaining n-1 variables. This simple framework provides a systematic way of capturing rich dynamics in multiple time series, while the statistical tool offered by VARs is easy to use and interpret.
To proceed with the test, graph of each series is first visually examined to see whether a trend is present or not as shown in figure below.

Figure 1



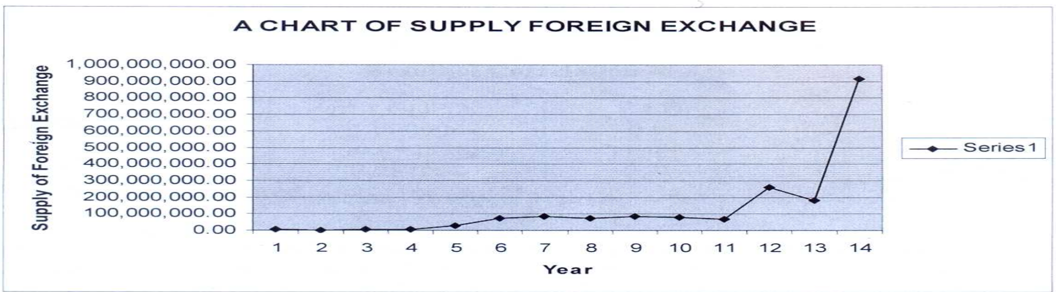
Source: Researcher's Computation

Figure 2



Source: Researcher's Computation

Figure 3



Source: Researcher's Computation

MODEL SPECIFICATION

GDP = + DFE + a3 SFE + Ut .... (1)

Where:

GDP	=	GROSS DOMESTIC PRODUCT
DFE	=	DEMAND FOREIGN EXCHANGE
SFE	=	SUPPLY FOREIGN EXCHANGE
Ut	=	Stochastic variable (error term)
A1	=	Intercept
A2, a3 a4 a5	=	Slope

TABLE 2: RESIDUAL CORRELATION MATRIX

	LGDP	LDFE	LSFE
LDGP	1.000000	-0.092338	0.087662
LDFE	-0.092338	1.000000	-0.742248
LSFE	0.087662	0.282195	1.000000

Source: Self-computed

The vector autoregression estimates and the multiple impulse response functions generated from the basic model, shows that the supply of foreign exchange respond positively to gross domestic product while the demand for foreign exchange shows a downwards trend to gross domestic product.

EMPIRICAL RESULTS AND DISCUSSION

The results of model estimation and the various diagnostic tests are presented below. *Equation 1* is estimated using the output level of Gross Domestic Product (GDP) as the dependent variable. The results of parameter estimate along with the standard errors, t-values and the corresponding critical values are given in the tables. The signs of all estimated coefficient are expected in the VAR model in the table. The parameters of all variables in *Table 3* are significant at 90% confidence interval.

VECTOR AUTOREGRESSION ESTIMATES (BASIC MODEL)

Vector Autoregression Estimates
Date: 18/02/10 Time: 11: 06
Sample (adjusted): 1995-2008
Included observations: 13 after adjustments
Standard errors in ( ) & t -statistics in [ ]

Variable	LGDP	LDFE	LSFE
LGDP (-1)	0.104617 (10.1365)	0.122608 (0.10017)	0.068902 (0.16531)
LDFE (-1)	-2.354100 (10.9163)	0.247249 (0.10788)	0.816736 (0.17803)
LSFE (-1)	1.300465 (0.11038)	0.000548 (0.00109)	0.001678 (0.00180)
C	-12.43069	0.737580	0.019008
WAD	-1.707047	-0.048978	0.032115
R-squared	0.902356	Mean Dependent var	23.40968
Adjusted R-squared	0.874624	S.D. dependent var	16.88810
S.E. of regression	5.979385	Akaike info criterion	6.552436
Sum squared resid	2824.490	Schwarz SC	6.933687
Log likelihood	290.6883	Determinant resid (dof adj)	5.29E-06
Schwarz criterion	1.278616	Determinant resid conar	2.75E-06

In *Table 3*, demand for foreign exchange market has a downward trend relationship with output level of Gross Domestic Product. The VAR model result shows that demand for foreign exchange market is negative in relation to the growth of Nigeria economy; hence we accept the alternative hypothesis and reject the null hypothesis. Supply for foreign exchange market has a positive and significant relationship with output level of gross domestic product. The implication of this finding is that the growth in supply for foreign exchange market up to 2008 has resulted to increase in impulse response function of Gross Domestic Product in Nigeria. The co-efficient of determinant show that 90% of the total variations in output level of gross domestic product are explained by the explanatory variables.

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GROWTH IMPLEMENTATION STRATEGIES IN APPAREL RETAILING – A CASE STUDY

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ABSTRACT
The retail sector in India is gaining significance with its fast growing presence in organized formats and apparel retailing has adopted the organized and modern formats of retailing at a rapid pace. Identifying the probable success factors would help new retailers improve their chances of successful growth and expansion. It is found relevant to study the phenomenon of the evolution and growth of organized apparel retailing in India. An attempt is hence made to analyze the strategies deployed by a key successful apparel retail organization in the Department Store format as a case study to look into the factors that have contributed to its growth. The purpose of study is to find proven patterns, influences and factors responsible for the evolution and growth of organized apparel retailing with specific reference to an apparel retail firm in India. The study provides direction and insights through those managerial and strategic implications studied, for the charting of the right course for the future evolution and growth of organized apparel retailers in India. The case study involves the study of a single firm, Shoppers Stop, chosen from the organized apparel retail sector in India. The case study of Shoppers Stop points to very vivid strategies of growth implemented in the various stages of growth of the firm in the areas of store format, finance and store operations with their specific implications and results, which will serve as a learning for many new retail firms who intend to set up shop in India in future.

KEY WORDS
Apparel, Growth strategy, Retail evolution, Retailing, Store format.

INTRODUCTION
This paper attempts to present a study on the growth implementation strategy of an individual apparel retail firm in India. It is organized in such a way that the background and contextual studies are discussed in the first section. The second section discusses the methodology. The third section of the paper analyses the strategies of growth implemented at Shoppers' Stop, viz. Format Strategy, Financial Strategy and Store Operations Strategy. The fourth section throws light on the implications of the findings of the case study. The fifth and final section of the paper depicts the summary.

BACKGROUND AND CONTEXTUAL STUDIES
The evolution of organized retailing in India has its unique characteristics. The landscape of Indian organized retailing is evolving from the plethora of retailing activities that India has been having for long or since time immemorial. The growth of global retailing has been relentless over the past two decades. The rise of global retailers has led to a remarkable shift in power from suppliers to retailers (Kumar, Nirmalya 2005). Globally retailing has seen a sea change and especially in developed countries retailing has evolved giving rise to the development of many formats in retailing along with the development of various functional processes that support retail operations such as technology in retail, people and related processes in an organized manner.
The historical evolution of retailing in India is as old as Indian civilization. Indian caste system is testimony to the evolution of retailing business in India and emergence of the caste of *'baniya'* (tradesman) community. Furedy, Christine (1979) studied the early elite retail evolution in the colonial days of Kolkata (then known as Calcutta) between 1880 and 1920. Her research shows that retail businesses were established in India those days following the model of British shops, even though the early tradesmen were permitted to operate by the East India Company only under a bond system. Many large organized retailing formats have evolved in India in the last decade as one has witnessed the setting up of modern retail stores like Shoppers' Stop, Food World, Giant, Lifestyle, Pantaloons, Big Bazaar, Westside, Star India Bazaar and Globus. India has also experienced the growth of malls like Forum, Sahara, Crossroads, Central malls, Nirmal Lifestyles, Spencer Plaza, etc. It is understood that the modernization of Indian retailing is currently at a critical stage and it is fast evolving in metropolitan cities but bulk of the retail sales happen through traditional retail formats (Mulky and Nargundkar, 2003). As modern retail firms in India grow, since the opportunity is huge, they may percolate into smaller towns as well achieving pan India presence and such growth may depend on the success of these firms. Such a successful growth phase in modern retailing influences the thought of whether such sustained retail growth will take place in India and how the study of an individual retail firm can help understand the possible influences that may impact the evolution and growth of apparel retailing in India and the following research questions have emerged:
- How do organized apparel firms in India determine their format strategy? The research question thus arising in this case study is: What are the strategies Shoppers Stop adopted pertaining to its retail format during the firm's various stages of growth?
- How do organized apparel retail organizations in India use financial strategies for attaining growth? The research question thus arising in the area of financial management in this case study is: What are the key financial strategies deployed by Shoppers Stop for its growth at different points in time?
- How do organized apparel retail firms in India leverage store operating strategies for growth? The research question thus arising in this case study of Shoppers Stop Limited is: What are the key retail operating strategies employed by the firm to achieve growth?

METHODOLOGY
The principal objective of attempting to study an organized apparel retailer's evolution and growth in India is to gain significant insights into concepts, processes, practices and experiences in identifying trends and opportunities and techniques the retailer used in the different stages of evolution and growth of the retail firm. The lessons and insights gained from the case study may help new and intending apparel retailers in India evolve their growth strategies for the future. The extent to which a firm grows is dependent on the strategy deployed. And growth of a retail organization means an increase in the size or scale of its operations usually accompanied by increase in its resources, volume and reach.
Case study is a preferred research strategy for testing deterministic propositions based on practice-oriented scenarios (Dul and Hak, 2007). The selection of the case is based on information-oriented selection process rather than using the random selection process. Though there are arguments against case study research that one cannot generalize on the basis of a single case or that case studies are arbitrary and subjective, earlier researchers like Flyvbjerg have argued

successfully that a single case study implies exploring phenomena first-hand (Flyvbjerg, Bent, 2004). While arguing against the point that dependence on a single case study renders it incapable of providing a generalizing conclusion, the literature points out that the relative size of the sample, whether two, ten or a hundred cases are used, does not transform a multiple case into a macroscopic study (Yin, 1993). The literature also emphasizes that the goal of the study should establish the parameters, which should then be applied to all research. In this way, even a single case could be considered acceptable, provided it meets the established objective (Tellis, Winston, 1997). A case study of a successful apparel retail firm can be a relevant form for making sense of experience for the new firms to follow.

The purpose of the study is to find proven patterns, influences and factors responsible for the evolution and growth of organized apparel retailing in addition to providing deeper insights into those managerial and strategic implications pertaining to charting the right course for the future evolution and growth of organized apparel retailers in India. With this purpose in mind, one looks for a case and evidence that would satisfy the same and answer the research questions posed. The case study involves the study of a single firm chosen from the organized apparel retail sector in India. The following parameters are considered to choose the sample firm for the case study:

1. The apparel retail firm should have been in existence for more than 10 years in India
2. Majority of the firm's sale should come from apparel sales
3. The chosen firm must have a minimum of 10 stores at the time of the study
4. The firm should have stores spread over all the metros of India
5. The firm should be a publicly listed company and
6. The firm should operate more than one format in apparel retailing in India.

Based on the parameters specified above, Shoppers Stop Limited with headquarters at Mumbai has been chosen, for the purpose of studying the relevant case evidences to throw light on the research questions posed above. It is a pioneering retail organization, which was established in October 1991 in Mumbai with its first store in Andheri. It is an Indian department store chain promoted by the K Raheja Corp Group. Also it is a leader in the Indian apparel retail sector and one of the first few firms to set up a large format department stores chain in India. Shopper's Stop Ltd has a national presence, with about 2.06 million square feet of retail space across 36 stores in 16 cities viz. Bangalore (5), Chennai (1), Hyderabad (4), Pune (2), Mumbai (8), Amritsar (1), Noida (1), Ghaziabad (1), Delhi (4), Gurgaon (1), Jaipur (1), Lucknow (1), Kolkata (3), Bhopal (1), Aurangabad (1) and Ahmedabad (1). Shoppers' Stop is the only Indian member of IGDS (Intercontinental Group of Departmental stores) along with 29 other experienced retailers from all over the world. It has been awarded Super Brand status 2006/2007 by an independent Superbrands Council comprising the most eminent professionals from Marketing and Advertising out of a national list of 711 brands across 98 categories.

A key strength of this case study involves using multiple sources and techniques in the data gathering process. Tools to collect data during this case study include a survey questionnaire, interviews and documentation review. The following evidences are studied and analyzed systematically and properly in Shoppers Stop Limited: Format Strategy, Financial Strategy and Operational Strategy. Throughout the case study it is ensured that the study is well constructed to ensure construct validity and reliability. While validity requires the correct use of measures for the concepts being studied, reliability refers to the stability, accuracy and precision of measurement (Hamel, J. with Dufour, S., & Fortin, D. 1993). In this specific context however, capturing of strategies and relevant information are considered appropriate and hence given due importance.

GROWTH IMPLEMENTATION STRATEGIES AT SHOPPERS STOP LIMITED

Business growth can take place by many means in a retail organization. The factors that influence the achievement of business growth are broadly divided by researchers into two categories – *Organic* and *Inorganic growth*. Growth of a retail company is generally measured in terms of its geographic expansion and increased revenues, profits and assets. In order to achieve growth, a company can innovate and create new product lines to retail by expanding its format base or by creating new formats or can merge and acquire another company. The growth of a company with the help of its efficient management is called *Organic growth* and a company that chooses to grow with the help of mergers and acquisitions is called *Inorganic growth*. This is also called *Internal and External growth*. *Organic growth* is growth from within. It is planned and slow increase in the size and resources of the firm. A firm can grow internally by recapitalizing its profits into the business every year. This leads to the growth of production and sales turnover of the business. *Internal growth* may take place either through increase in the sales ofexisting products or by adding new products. *Internal growth* is slow and involves comparatively little change in the existing organization structure. It can be planned and managed easily as it is slow. The ways used by themanagement for *internal growth* include:

(I) Format strategy
(II) Financial strategy and
(III) Store operations strategy

The focus here is on these strategies adopted by Shoppers Stop to achieve growth. *Inorganic growth* – it can also be termed *external growth*. *Inorganic growth* involves a merger of two or more business firms. A firm may acquire another firm or firms may combine together to improve their competitive strength. *External growth* has been attempted by firms through the two strategies (a) mergers and acquisitions and (b) joint ventures. An attempt will be made in this case study to find whether the firm Shoppers Stop Limited has followed any such *external growth* strategy as *inorganic growth* is fast and allows immediate utilization of acquired assets.

HISTORY OF SHOPPERS STOP LIMITED

Shoppers Stop Limited is a multi-brand outlet chain of retail firm currently operating as a department store format. The origin of Shoppers Stop Limited is traced to the day when the K. Raheja Group of Companies, Mumbai laid the foundation for opening a men's apparel store in a 3000 square feet area in the old Ambar, Oscar, Minor cinema theatre complex building in Andheri owned by the group on October 27, 1991. As the theatres were closed, the group had the ready real-estate space available for retail. The very next year the category of women's ready-to-wear apparel was added and in 1993 children's category and accessories too were included. The store was expanded subsequently to occupy 55,000 square feet in Andheri. The sprawling store spread out in a self-service browsing format soon offered a unique shopping experience to customers. Shoppers Stop pioneered modern retail in India and is the highest benchmark of modern retailing standards in the country. The growth of Shoppers Stop in the words of its Managing Director Mr. B. S. Nagesh is driven by its vision: "To be a global retailer in India and maintain No.1 position in the Indian market in the department store category". With its current 36 stores in 16 cities, Shoppers Stop is the largest chain of large-format department store in the country. The following table shows the chronological growth of Shopper's Stop as the company opened one store after another to reach the current number of stores – thirty six - across India.

TABLE 1- EVENT CHRONOLOGY AT SHOPPERS STOP

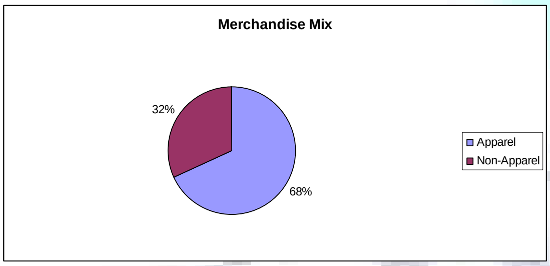
YEAR	EVENT CHRONOLOGY
1991	Shopper's Stop opened its first store at Andheri, a suburb in Mumbai selling only Menswear
1992	Women's ready-to-wear was introduced
1993	Added Children apparel & non apparel
1994	Loyalty Program titled First Citizen was launched.
1995	Opened the second store in Bangalore
1997	Launched the co-branded credit card for our loyalty members in association with HSBC.
1998	Opened the third store in Hyderabad
1999	Implemented JDA Retail ERP (a global leader in retail ERP packages). Opened the fourth & fifth stores in Jaipur& Delhi respectively
2000	Opened the sixth & seventh stores at Chennai &Chembur – Mumbai. Acquired Crossword – India 's leading retail book chain
2001	Opened the eighth & ninth stores in Pune& Bandra
2002	Opened the tenth store in Kandivli – Mumbai
2003	Opened the eleventh, twelfth & thirteenth stores in Mulund – Mumbai, Gurgaon& Kolkata
2004	Opened the fourteen, fifteen & sixteenth stores in Malad – Mumbai, Kolkata& Bangalore
2005	Opened the seventeenth, eighteenth, nineteenth & twentieth stores in Pune, Juhu – Mumbai, Bangalore &Ghaziabad. Launched M.A.C &Homestop – Shoppers Stop's home store.
2006	Opened the twenty first (Mumbai) and twenty second store in Lucknow . Launched Mothercare in India and the F & B outlets Brio &Desi Café. Bought 45% of Timezone India.
2007	Signed a 50:50 Joint Venture with the Nuance Group for Airport Retailing Signed an MOU with the Home Retail Group of UK to enter into a franchise arrangement for the Argos formats of catalogue & internet retailing. Opened the twenty third store in Noida
2008	Opened the twenty fourth, twenty fifth and twenty sixth stores in Kolkata (3rd store in Kolkata), Vashi and Jaipur (2nd store in Jaipur)
2009	Opened the twenty seventh store in Hyderabad (2nd store in Hyderabad)
2010	Opened 2 stores in Bangalore and Hyderabad, 3 stores in Delhi, and one each in Amritsar, Bhopal, Aurangabad and Ahmedabad (thirty sixth store)

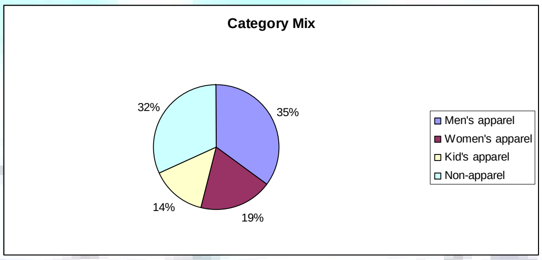
STORE FORMAT STRATEGY

As for the store format of Shoppers Stop, although it was initially a ready-to-wear apparel store when it opened in 1991, it grew to become a department store in 1993 in a multi-brand format. The research survey has indicated that the size of the typical Shoppers Stop store is an average of 66,600 square feet.

PRODUCT MIX

The overall product mix at Shoppers Stop currently according to the research is 68% apparel and 32% non-apparel. The major departments include Apparel: Men's, Women's, Kids and Non- Apparel: Fragrances & Beauty, Home & Travel and Gift Ideas. The category mix in specific sales contribution in Shoppers Stop currently is Men's apparel 35%, Women's apparel 19%, Kid's 14% and non-apparel 32%. The study points out that Shoppers Stop's product differentiation comes from its private label strategy (private label is a product or variety of products offered by a retailer under the firm's own name in competition with branded goods. Private label products, like non-branded goods, are normally cheaper than branded items). The firm's private labels contribute to 20% of the total merchandise sales. Globally, private labels contribute 17% of retail sales with a growth of 5% per annum. "International retailers like Wal-Mart of USA and Tesco of UK have 40% and 55% own label brands representation in their stores, respectively." (Source: Indian Retail: Time to change lanes, KPMG Study 2008).





FORMAT EXTENSION THROUGH ALLIANCES

As part of its efforts to implement its growth strategy Shoppers' Stop has extended its departments and category mix with considerable focus. The firm has branded its home section as Home Stop and rolled out a spin-off of an independent Home Stop in Bangalore in 2005. Similarly Shopper's Stop entered into a non-exclusive retail agreement with cosmetics major Estee Lauder to open up M.A.C. Cosmetics stores in India in 2005. In October 2005, Shoppers Stop entered into an exclusive franchisee agreement with the UK-based Mothercare Plc to open Mothercare stores in India in 2005. The firm strengthened its format by expansion of such categorybase which provides the firm with the economies of large-scale operations. To cater to the growing customer base in the airport segment in India, Shoppers Stop entered into a joint venture agreement with The Nuance Group AG of Switzerland, the world's leading airport retailer in 2007. Shopper's Stop Ltd. is now handling the retail operations at the duty free zones in international airport terminals in India. The joint venture company, called Nuance Group (India) Private Limited. is currently operating outlets at the International airports at Bengaluru and Hyderabad. Shoppers Stop forayed into the Entertainment sector by acquiring 45% stake in Timezone Entertainment Private Limited which is in the business of setting up and operating Family Entertainment Centers (FECs). It has 5 outlets in Ahmedabad, Hyderabad, Kolkata, Navi Mumbai and Mumbai. In 2007 the firm signed a memorandum of understanding with UK's leading retail chain Home Retail group to develop the Argos retail format stores in India. Two years later in 2009, Shoppers Stop Ltd has informed the Bombay Stock Exchange that it shall wind up and discontinue its catalogue retail operations under the Hypercity-Argos brand. In February 2009 Shoppers Stop and Cafe Coffee Day (CCD), the retail division of Amalgamated Bean Coffee Trading (ABCTL), signed an MoU to run its BRIO and Desi café outlets which serve as refreshment centres as part of the store format offering customer convenience. In 2000 Shoppers Stop bought 51% stake in Crossword, the book store chain and hiked its stake holding to 100% in 2005 and thereafter a concessionaire book format extension was made in Shoppers Stop stores to sell books and related categories of merchandise through the Crossword brand in addition to the independent Crossword stores. The group also opened a hypermarket format Hypercity as a separate business entity in 2006.

The firm's format strategy is significantly impacted by its focus on customer service, communication with its loyal customers, focus on its product quality and its process strengths.

THE LOCATION STRATEGY

Shoppers Stop is established as a destination format with its stores being located in high streets as independent stores and in malls where they play the role of anchor stores. The objective of the large size, independent high-street and mall format according to the study is to bring captive footfalls into the stores to make successful conversion into business.

FINANCIAL STRATEGY

FUNDING STRATEGY

The financing philosophy at Shoppers Stop attempts to limit the financial leverage to avoid compounding the firm's already high operating leverage in the business. A major portion of the overheads (occupancy cost, energy cost, employment cost, etc) are fixed in nature and pose a major risk to the company in the event of low sales. So the firm avoided debt as a prominent financing strategy. As a policy it has been restricting its Debt: Equity ratio to less than 1. Bringing in equity finance from new shareholders to finance expansion was the right step taken to give stability to Shoppers Stop's growth plans. The first was by way of inviting Private Equity players to participate in the firm's growth. The private placement to a clutch of PE players like Morgan Stanley, OCBC, ICICI Venture Fund, IL&FS Investment Fund in Feb 2000 brought in the much needed Rs 60 crores (Rupees 600 million) to fund the first major bout of expansion of the company by opening new stores as well as by building the required infrastructure and resources (like the implementation of new ERP systems, setting up distribution centres to support the business expansion, etc.). This money also helped the company face the crisis created by dwindling sales in a recessionary market in 2000-01.

The next milestone in funding the growth of the firm was the decision to go public for generating public equity funds. The first Initial Public Offering was made by the firm in May 2005. The company raised Rs 165 crores (Rupees 1.65 billion) from the IPO to finance its next stage of expansion. By taking the company public the firm was also able to enjoy the advantages of being a public limited company.

The study reveals that in order to fund further expansion, the company wanted to approach the shareholders once again through a Rights Issue in 2008 but was unable to do so because of the unfavorable conditions in the Stock market. However Shoppers Stop continues to contain the Debt: Equity ratio under 1 as at the end of FY 2009. According to the firm's Chief Financial Officer, Mr. C. B. Navalkar, "Debt: Equity ratio is the important ratio determining the leveraging of the company's capital structure. The other ratio we consider while planning debt is the EBIDTA: Debt ratio. It indicates the capacity of the company to repay the debt from its internal accruals in the regular course. Additionally, the cash flow drawn conservatively over the term of the Debt gives a good indication of repayment capacity of the company. The third ratio in priority is the Interest coverage ratio, which indicates the number of times the Operating cash flows cover the interest outgo. Fortunately for us the last two ratios are rendered irrelevant by the restriction of debt by the first ratio. The Debt: Equity ratio restricts growth plans through aggressive funding by debt and necessitates sourcing of the Equity funds beyond the Internal Accruals. In the absence of Equity funds it has been our observation that a growth of 25% on the existing base is comfortably managed with funds generated from internal accruals and a little debt."

STRATEGIES TO ADD SHAREHOLDER VALUE

The strategy of the firm is to expand the business profitably with a long term perspective. This strategy has helped the firm to focus on its flagship department store business as other added businesses which might be profitable in the short term but may not hold long term value. For example when the firm recently realized that its Food & Beverage business did not have long term value, it handed over the business to Café Coffee Day from whom it can expect long term value. Similarly, the firm wound up its Catalogue retailing business when it found the top-line and bottom-line achievements were way below the projections.

For Capital expenditure, the firm invests only when it foresees a Return on the Capital Employed of over 20% over a 5-7 year period. This ensures channeling of shareholders' funds to project giving material returns.

RISK MITIGATION STRATEGY

To assess risks facing the organization, Shoppers Stop has formed a Risk Committee which meets and discusses the risks to which the company is exposed and decides the steps to be taken to address them. The Risk Committee's membership includes all the senior management members of the company. Risk mitigation takes different forms in the firm. Conservative insurance covers all insurable assets of the company. The Manual of Authority (MOA) and Standard Operating Procedures (SOP) ensure discipline at every functional level to adhere to the directions decided for the organization. A best-of-breed internal auditor ensures adequacy and implementation of processes and systems to avoid situation of risks. Additionally an internal Loss Prevention Team functions to check on transactional level inconsistencies. Retaining quality statutory auditors and advisors in the fields of law and property matters, ensures reduction in documentary and compliance lapses which may expose the company to serious long term risk.

STORE OPERATIONS STRATEGY

STORE OPERATING PROCESSES

Store operations strategy plays a very significant role in Shoppers Stop's overall growth implementation strategy. The firm is acclaimed to be a well run company with strong systems and procedures in place. The senior management believes that its thrust on systems and processes will help to better manage growth. The company has created a Manual of Authorities (MOA), which governs decision-making authority. It has also created a Standard Operating Procedures (SOPs) manual to govern most activities from site selection, store planning, store operations, buying and merchandising, distribution, and logistics. Standard operating procedures and systems reduce the risk from losses due to potential lapses. Such standard operating procedures when updated regularly help the company share best practices across its various stores. According to the study, shrinkage as % of gross retail sales currently stands at 0.34% which is lower than the international average of 0.50%. The footfall conversion ratio stands at 30% consequent to the implementation of the strong customer loyalty strategy at Shoppers Stop. This conversion ratio is found to be good as the footfall count in the firm is done on a headcount basis and the conversion is measured by the number of cash memos generated against the footfall and so when a family of four enters the store the footfall amounts to four but the family may buy merchandise on a single cash-memo. The average transaction size per bill is Rs.1866 currently.

RETAIL TECHNOLOGY AT SHOPPERS STOP

Leveraging retail technology for achieving efficiency in store operations: Shoppers' Stop was the first retail chain in India to invest on an ERP package, and the firm is again investing heavily on software according to the study. The company implemented a software package called Arthur Planning, and a data warehousing solution from JDA (J D Armstrong, Scottsdale, Phoenix, USA), from which it bought the ERP package. Arthur Planning is useful in measuring the stock position at the store shelf level and for auto replenishment of the shelves. Although Shoppers Stop selected JDA as its ERP in 1998 to replace its legacy systems, the firm recognized the need for new technology solutions that would enable it to efficiently and profitably grow its retailmodel, as well as ensure the company's success — particularly that of its newly expanded business. To ensure consistency and uniformity of fixtures across its stores in a given business unit, Shoppers Stop licensed JDA's space planning and replenishment applications. The use of JDA portfolio solutions has enabled Shoppers Stop to:

- Optimize floor space and visualize the layout before they areconstructed.
- Efficiently manage high inventory turns and volumes.
- Improve inventory planning through sophisticated forecasting.
- Improve the management of metrics, including service and inventory levels.
- Provide a high magnitude of analysis and reporting

CUSTOMER LOYALTY STRATEGY

Shoppers Stop launched its customer loyalty programme, First Citizen in 1995 which is currently the largest loyalty programme in the category with more than 1.30 million members across India. The First Citizen Programme membership entitles the loyal customer to exclusive privileges such as product previews, priority billing and other special benefits. The firm offers co-branded credit cards in alliance with Citibank which offers customers to earn up to 5 Reward Points for every Rs. 100 spent at Shoppers Stop in addition to the discounts and benefits offered by partnering restaurants, hotels and other establishments. This is a strategy to bring new customers to Shoppers Stop. The study reveals that the members of the loyalty programme of Shoppers Stop, First Citizen contribute 72% of the total sales in the organization so far in 2009.

CUSTOMER SERVICE STRATEGY

Currently the firm is dealing with over 260 brands of garments and accessories. Shoppers' Stop has clearly become a one stop shop for all customers. The demographic profile of customers at Shoppers Stop falls between the age group of 16 years and 35 years, the majority of them being families and young couples with a monthly household income above Rs. 20000 and an annual spend of Rs.15000. A large number of non-resident Indians visit the shop for cultural clothes in the international environment they are used to which means people from abroad are also interested in shopping at Shopper's Stop. Their target customers include upper middle class and upper class. Customer service at Shoppers Stop is of top significance and a major area of focus. Each store has a customer service desk besides dedicated telephone lines for customers to call. The study shows that there is a no-questions-asked exchange policy at Shoppers Stop, which delights the customers. The specification of retail service-output levels, operational efficiencies embodied in the retail technology, and the learning and experiences contained in the retail culture, determine the position the retailer secures in the market place (Goldman, Arieh, 2001).

IMPLICATIONS OF FINDINGS AND DISCUSSIONS

The study points out that the format of Shoppers Stop has undergone a transformation from a small sized multi-brand men's apparel store format in 1991 to becoming a large department store chain with an average store size of more than 66,000 square feet with 36 stores by 2010. A secure strategy of offering reputed brands under one roof for the family made the firm become a destination for customers offering a pleasurable shopping experience. As part of the format strategy Shoppers Stop focused on its merchandise mix and the firm's private label sales contribute to 20% of its total sales, which again has ensured the viability of the firm facilitating its expansion. The private labels at Macy's department store in the United States of America account for 18% of the store sales (Jones, Sandra, 2006). The early development of private labels at Shoppers Stop has helped the firm in differentiating it from competition that has emerged over the years. The proliferation of brands in India has helped a multi-brand outlet firm like Shoppers' Stop build the store format, which is dependent on brands. A brand/vendor partnership may be of significance to the successful growth of a multi-brand retail organization. The profile of the store is a sum total of the profiles of the brands. The brand-mix strategy becomes significant to uphold the positioning of the store brand.

From the case study of Shoppers' Stop it may be relevant to note that a clearly defined private label strategy for the firm may be the key factor impacting the merchandise mix offering, which in turn may improve the gross margins for the firm. Such increased gross margins may help in the generation of internal accruals for growth. The success of multi-brand department stores in future may be dependent upon its robust private label strategy.

A department store's Shop-in-Shop if branded and marketed well, it can gather the strength to stand alone as a new store format. From the case of Shoppers' Stop one finds the firm's home section, branded "Home Stop" has evolved from a shop-in-shop format to a freestanding home-store specialty format. This 'incubate and proliferate' pattern has been observed in the case of Marks & Spencer, UK as well. St. Michael's was earlier a shop-in-shop brand of Marks & Spencer and it has currently become a freestanding independent specialty format. In future such multi-brand department store firms may plan their category-mix with a view to incubate first and proliferate later. As department stores grow, some of the key categories may be branded, positioned well and incubated to grow to spin off as an independent specialty format and if this pattern persists as it is seen in the case of Shoppers' Stop and Marks & Spencer, it may be propounded as the "Incubate and Proliferate Theory of Retail Evolution"

The study clearly establishes that 'customer orientation' of the company is the key factor for its successful evolution and growth. The firm's successful 'First Citizen' customer loyalty programme has helped the company with customer retention. As one sees from the customer relationship practices of Shoppers' Stop customer retention becomes significant for growth and apparel retail firms have to consistently come up with innovative ways to retain customers.

As an inorganic growth strategy, Shoppers' Stop has expanded in many cities in India almost year after year till now from 1998 constantly. This points to the management's commitment to open new stores as an expansion strategy. But the study shows that the firm is not able to expand at an aggressive pace on account of delay of up to eighteen months from mall developers to hand over possession of the leased space for retail fit-out. Further, it is found that the firm's retail format is large and hence it is restricted within the top twenty cities in India. Pantaloon Retail with a similar format is tapping the potential beyond the top twenty cities in India with more favourable and customer-friendly price-points. The study reveals that the firm is encumbered by high operating costs which impact its fast growth negatively. It also clearly reveals that it is important for the firm to concentrate on its bigger department store business which gives steady returns rather than getting into everything in retail and distracting the management focus in order to enhance shareholders' value.

In terms of the firm's financial strategy, Shoppers Stop is very keen to build the firm steadily by restricting its debt and the study has indicated that the Debt : Equity ratio is currently less than 1. The Debt : Equity ratio of the firm shot up from 0.45 in FY 2007 to 0.73 in FY 2008 and to 0.94 in FY 2009. The firm has plans to lower its debts by planning to tap the capital market once again through a Rights Issue any time in the near future and as the market conditions were not conducive because of recessionary pressures in 2008, it continued with its debt funding. In the absence of diverse funding opportunities in India, growth may be dependent upon internal generation of funds and the implication for the future could be that it may not be advisable for apparel retail firms in India to be over dependent on debt.

Shoppers Stop has only one acquisition for record, which is of Crossword Bookstores Ltd in February 2000. Its business is complementary to the firm's department store retail business adding the category of books as a category-offering to Shoppers Stop's customers. This acquisition was financed with the proceeds of the Public Equity moneys the firm received in Feb 2000. However the business has not yet been able to provide meaningful monetary returns to firm. The managing of Crossword's different management culture has also been a major source of learning for the company's management. The other additions, like the Hypermarket business (Hypercity), family entertainment centres (Timezone) , Airport retailing (Nuance) and Catalogue retailing (Argos) were started as Greenfield ventures, either as subsidiaries or JVs with world's best retail players. While as of date however the firm is yet to see the desired results from these efforts. The study confirms that two of the airport stores have been closed and the firm has wound up its catalogue retailing business too. Macy's strategy for expansion has been found to be based on acquisition and mergers of apparel retail firms. A focused approach to acquisition and merger of similar apparel category and department store related firms might help in the expansion of firms in India in future.

The culture of corporate governance demonstrated by the top management has percolated down to all the levels of the organization, which ensures that every stakeholder of the business acts in tandem with the organizational direction and mitigates risks. There is a high level of empowerment and demonstration of values by employees and these are ensuring the mitigation of risks more than even the control assurance processes the firm has implemented. The firm has a list of ten values that every employee swears by, in its growth journey. The study points to the strong operating strategy in vogue right from the initial years of the growth of Shoppers Stop. The firm has robust operating processes and procedures through its strict compliance to its Manual of Authorities (MOA) and its Standard Operating Procedures (SOP). Three key operating initiatives at Shoppers Stop have played a significant role in fuelling the growth of the firm – attaining operating efficiencies through the deployment of the latest technologies and solutions, customer focus through a well planned and executed customer loyalty programme by name First Citizen and its focus on customer service. Shoppers Stop implemented the Enterprise Resource Planning package, JDA from Scottsdale, USA way back in 1998 and has been upgrading the systems with the latest solutions. This gives the firm the advantage of speed and accuracy to reach out to its customers. Though the organization had teething trouble immediately after the ERP implementation, when the system crashed in 1999, it quickly came back on its feet with the credit of being the first in the department category to implement an ERP system in India. The study points to the fact that a good customer loyalty programme at Shoppers Stop has been yielding results continuously adding customer lifetime value in the firm. The firm's loyal customers contribute to 72% of the organization's total sales. Such customer data generation and maintenance is strongly supported by the deployment of an efficient ERP system in Shoppers' Stop and apparel retail firms in India could deploy such technologies and solutions for achieving faster growth in future.

The study reveals that regulatory obstacles are a restriction on the retail firm's part to provide quality service to consumers. Some of the obstacles specified are the inability to serve customers 24 hours, 7 days a week and 365 days a year as the firm has to apply for special permissions every time from the local state governments, which is difficult to come by. Such regulatory obstacles also include the absence of Central VAT and the existence of archaic labour laws applicable to female employees restricting them to work beyond 8.30 pm. Others like the ban on Foreign Direct Investment (FDI) in multi-brand retail and the non recognition of retail as an Industry in India have restricted the firm's capital infusion opportunities and its scaling up opportunities during its initial stages of growth. Retail firms abroad have ranked favorable FDI as the most considered factor for expansion in international markets. As FDI restrictions prevent investments in multi-brand retailing, a firm like Shoppers' Stop is not able to forge the right joint ventures for expansion. It is once again reinforced that favorable FDI may propel the apparel retail firms in India to grow and expand.

CONCLUSION

A secure format strategy of offering established and reputed brands under one roof in a multi-brand department store format, offering customers a pleasurable shopping experience with a facility to access merchandise freely has made the firm become a destination for customers. The case study shows that a clear format strategy adopted by apparel retailers will help them gain the right customers and grow. The development of private labels and increasing the contribution/share of private labels to total sales even in the early stages of its growth has helped Shoppers' Stop differentiate itself from other competing department store firms that have emerged over the years. A clear merchandise differentiation strategy in a clutter of competitive store organizations in the same format is the key to become successful.

In terms of the firm's financial strategy, it has been found that the firm is very keen to expand its operations and build the firm steadily by maintaining a healthy debt:equity ratio of less than 1. The firm adopted various funding strategies during the various stages of its growth, right from tapping the Private Equity market to going public and then planning a Rights Issue for funding growth in future. The key financial strategies followed by Shoppers' Stop to implement expansion plans especially in a situation in India where Foreign Direct Investment is not allowed in multi-brand retailing, can serve as a learning for many such retailers intending to grow.

The case study clearly establishes that 'customer orientation' of the firm is one of the key factors for its successful evolution and growth. The firm's successful customer loyalty programme called "First Citizen" introduced in the initial stages of growth, as part of its operating strategy, has helped the company achieve customer retention largely, over the years. The operating strategies that have found to propel the growth of the firm have been found to be very customer-centric and such customer-centricity, if followed by retailers will enable them to grow.

The case study of Shoppers Stop points to very vivid strategies of growth implemented in the various stages of growth of the firm as established in the areas of store format, finance and store operations with their specific implications and results, which will serve as a learning for many new retail firms who intend to set shop in India and expand in future.

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TOURISM IN INDIA: VISION 2020

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ABSTRACT
Dr A P J Abdul Kalam in his book INDIA 2020 – A Vision for a new millennium (co authored by Y S Rajan) has quoted that " In the year 2020 the driving force for economic growth and employment will increasingly come from the services sector like tourism, construction, retailing, education, health, entertainment. These sectors will expand more rapidly than ever before". Tourism and Travel is one such sector which is expected to contribute Rs.850000 Crores to the Gross Domestic Products (GDP). The World Travel and Tourism Council (WTTC) has named India along with China as one of the most fastest growing tourism industries for the next 10 to 15 years and is expected to grow by 6.7 per cent annually between 2009 – 2020 and is expected to create 1,31, 27,000 employments (Source WTTC). These figures may look very lucrative but making them turn into reality is a daunting task which we need to realize. Terrorism, epidemic diseases, rising fuel prices, lower consumer spending in the light of the economic down turn, policy and infrastructural issues are some of the factors which may keep the Vision 2020 an unrealized dream.This research report gives an analysis of the present scenario, key indicators which may have positive and negative implications on the future of the Indian tourism industry in context of India Vision 2020. In addition to this it also looks into the Indian tourism industry in detail with the focus on different types of tourism markets within India.

KEYWORDS
Indian Tourism, Vision 2020, Industry, GDP.

INDIA VISION 2020
The vision document identifies a number of high employment potential sectors, including commercial agriculture, agro-industry and agri-business; forestation for pulp, fuel and power; retail and wholesale trade; **tourism**, housing and construction; IT and IT-enabled services; transport and communications; education, health and financial services. For growing economy like India the economic importance of the tourism sector should not be underestimated. Tourism-related occupations presently employ only 5.6 per cent of the Indian workforce, compared to 10.8 per cent globally. *(Dr A P J Abdul Kalam with Y S Rajan, India Vision 2020)*

TOURISM AN OVERVIEW
When we think of tourism, we think primarily of people who are visiting a particular place for sight seeing, visiting friends and relatives, taking a vacation, and having a good time. They may spend their leisure time engaging in various sports, sunbathing, talking, singing, taking rides, touring, reading or simply enjoying the environment.

The officially accepted definition by World Tourism Organization (WTO) of tourism is "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes (*TOURISM Principles, Practices, Philosophies by Charles R. Goeldner and J R Brent Ritchie*).Tourism is the worlds largest industry because tourism is alive with dynamic growth, new activities, new destinations, new technology, new markets and rapid changes.

TOURISM INDUSTRY: THE ECONOMIC VALUE CREATOR

Tourism Industry has always crated strong economic value by earning foreign exchange, by providing jobs, and also by means of boosting of related businesses for any country. The economic value is created through vigorous sales which is combined sales of all the components of Tourism Industry. But, a common perception is that the tourism industry is just made up of little more than hotels, and travel and tour operators. But this perception is wrong; this industry comprises numerous other businesses which offer their products and services which form a part of the industry. Some of these businesses are listed below-

INDIAN TOURISM INDUSTRY ON THE WORLD MAP
The reason why India has been doing well in tourism is because, India has always been known for its hospitality, uniqueness, and charm attributes that have been attracting foreign travelers to India in hordes. Being a country with tremendous diversity, India has a lot to offer in terms of tourism and related activities. The diversity that India is famous for ensures that there is something to do for all tourists in India, no matter what their interests are. Tourism industry in India is being utilized as a powerful tool to facilitate international understanding and enable building of broader cultural horizons.

According to the *Travel & Tourism Competitiveness Report 2009* brought out by World Economic Forum, India is ranked 11th in the Asia-Pacific region and 62nd overall in a list of 133 assessed countries in 2008, up three places since 2007. In terms of travel, India stands 9th in the index of relative cost of access (ticket taxes and airport charges) to international air transport services, having almost the lowest costs in the world. The contribution of travel and tourism to gross domestic product (GDP) is expected to be at 6.0 per cent (US$ 67.3 billion) in 2009 rising to US$ 187.3 billion by 2019. The report also states that real GDP growth for travel and tourism economy is expected to be 0.2 per cent in 2009 and to an average 7.7 per cent per annum over the coming 10 years. Export earnings from international visitors and tourism goods are expected to generate 6.0 per cent of total exports (almost US$ 16.9 billion) in 2009, growing (nominal terms) to US$ 51.4 billion in 2019.

TABLE 1: GEARS OF TOURISM INDUSTRY

GROUP I (Accommodation)
Hotels, Resorts, Lodging and boarding, Hostels, Guest House, Camps, House Boats, Restaurants, Dhaba's, Road side food joints, Cafeterias
GROUP II (Transportation)
Airlines, Railways, Roadways, Ships, Cruises, Car rentals, Auto rickshaws, city buses, Ferries, Local trains
GROUP III (Tours and Travel Operators)
Government agencies, International / National Tour operators, Local tours and sight seeing, Adventure Tours, Religious Tours, Educational tours, Special Interest Tours (Business, Event etc)
GROUP IV (Industry)
Hospitals, Retailing, Art and Handicrafts, Books, Luggage, Garments, Pharmacy, Exploring new business possibilities, and all the industries the tourist is directly or indirectly related
GROUP V (Other services)
Packaging agents, Guides, Tour Managers, Ticketing Agents, Holiday Sellers, Industry Associations, Machinery and equipment hiring and leasing, Insurance (travel, life, medical, luggage etc), Recreational services, Communication Services (Phone, fax, Internet, Postal services etc), Banking Services

2009-18

T&T industry, 2008 estimates % of total Annual growth (% forecast)

GDP (US$ millions) ....28,143..................2.3 ....6.7

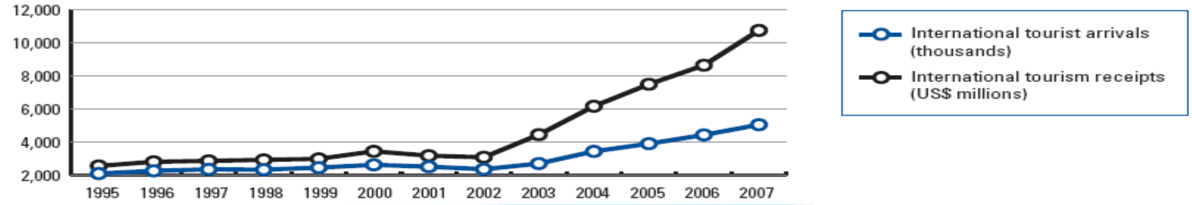
Employment (1,000 jobs)......................................13,127..................2.8 ....2.3

T&T economy, 2008 estimates

GDP (US$ millions) ....73,558..................6.1 ....7.6

Employment (1,000 jobs)......................................30,491..................6.4 ....2.7

Source: World Travel & Tourism Council, TSA Research 2008



Source: United Nations World Tourism Organization

PARADIGM CHANGE IN CONCEPT OF TOURISM IN INDIA

Of late the traditional concept of tourism has become obsolete. Modern day tourist expects something more and different. They travel not merely to eat, drink and make merry, but to learn more about the people they meet and the places they visit. In short we can call it 'cultural' or 'knowledge oriented' tourism. Some of the types of tourism are explained below (*http://www.incredibleindia.org/newsite/atithidevobhava.htm*):

ADVENTURE TOURISM

Adventure tourism has recently grown in India. This involves exploration of remote areas and exotic locales and engaging in various activities. For adventure tourism in India, tourists prefer to go for trekking, skiing, whitewater rafting.

WILDLIFE TOURISM

India has a rich forest cover which has some beautiful and exotic species of wildlife some of which that are even endangered and very rare, where a foreign tourist can go for wildlife tourism.

MEDICAL TOURISM

Tourists from all over the world have been thronging India to avail themselves of cost-effective but superior quality healthcare in terms of surgical procedures and general medical attention. There are several medical institutes in the country that cater to foreign patients and impart top-quality healthcare at a fraction of what it would have cost in developed nations such as USA and UK. It is expected that medical tourism in India will hold a value around US$ 2 billion by 2012. The city of Chennai alone attracts around 45% of medical tourists from foreign countries (*www.indianmedicaltourism.com*)

PILGRIMAGE TOURISM

India is famous for its temples, shrines and that is the reason that among the different kinds of tourism pilgrimage tourism is increasing most rapidly.

ECO TOURISM

Ecotourism have grown recently. Ecotourism entails the sustainable preservation of a naturally endowed area or region. This is becoming more and more significant for the ecological development of all regions that have tourist value.

CULTURAL TOURISM

India is known for its rich cultural heritage and an element of mysticism, which is why tourists come to India to experience it for themselves.

KEY PERFORMANCE INDICATORS FOR INDIAN TOURISM

The data quoted above may seem very lucrative but making them turn into reality by the year 2020 is a daunting task which we need to realize. Terrorism, epidemic diseases, rising fuel prices, lower consumer spending in the light of the economic down turn, policy and infrastructural issues are some of the factors which may keep the Vision 2020 an unrealized dream. The World economic forum (Tourism and Travel Competitiveness report) evaluates countries competitiveness on the basis of 14 indicators which decides the competitiveness of a country in terms of tourism. These indicators are treated with SWOT (strengths, weaknesses, opportunities and threats) to analyze the external and internal environment.

SWOT analysis matrix shows red space which is the locus of problems and the blue space which is the locus of solution. We must take the weaknesses space of working and by consistent hard work transform it into strengths. Take opportunity as a challenge and transform it into greater strengths. We must block the threats or rather change the threats.

WEAKNESSES	STRENGTHS
1) Policy rules and regulations 2) Tourism Infrastructure 3) Affinity for Travel and Tourism 4) Prioritization of Travel and Tourism 5) Environmental Sustainability	1) Natural Resources 2) Cultural Resources 3) Price Competitiveness 4) Human Resource
THREATS (Internal & External)	OPPORTUNITIES
1) Safety and security 2) Health and Hygiene	1) Air transport infrastructure 2) Ground transport infrastructure 3) Information and Communication Technology infrastructure

TRANSFORMATION PROCESS
RED SPACE (LOCUS OF PROBLEMS) TO BLUE SPACE (LOCUS OF SOLUTION)

KEY STRATEGIES FOR INDIAN TOURISM INDUSTRY TO ACHIEVE COMPETITIVE ADVANTAGE BY 2020

BLOCKING THE THREATS

Tourists always look for a country which is safe. India as a country has witnessed one of the worst chapters of terror attacks, epidemic diseases in past one decade. Some of the major cities of India like Delhi, Mumbai, and Bengaluru have witnessed the face of terror. The economic down turn, terrorism and conflicts within India, increasing number of natural disasters and epidemics diseases (SARS, Dengue, Bird flu, Swine flu, Chicken Gunya) have hampered the structure of tourism in the country, because the tourism industry is a very sensitive to environmental changes and it gets affected and reacts very fast to them. Another critical constraint in Indian tourism is poor sanitation and drinking water problems. And in the event that tourists do become ill, the country's health sector must be able to ensure they are properly cared for, as measured by the availability of physicians and hospital beds. Though, India can boast of modern, well equipped, cost effective medical expertise in urban areas, but the hospitals (civil hospitals) in semi urban and rural areas still suffer from lack of basic medical services, because majority of the tourist spots in India are in semi urban or rural areas. In addition to this the internal security is still a cause of concern.

STRENGTHENING THE INTERNAL SECURITY

The internal security scenario of the country is a complex web of terrorism, violence, separatism, crime, drug trafficking, naxalites activities. An entirely police and security oriented approach is not enough. While it is necessary to conduct proactive and sustained operations against the extremists and put in place all measures required for this. Some of the strategies to strengthen the internal security are:

a) Successful execution of UIDAI
b) Development of Integrated check posts
c) Construction of Border out posts
d) Construction of border fencing
e) Operations of interceptor boats
f) Installation of crime and criminal tracking network system
g) Modernization of immigration check posts
h) Setting up regional hubs of NSG

With a well structured security in place, there is no doubt that the Indian tourism industry will be resilient and bounce back as it did post September 2001. If we see the situation from another perspective, present crisis may prove as an opportunity for other states to attract tourists as it did in case of Kerala

CASE OF KERALA TOURISM

Till mid 1990's very few knew Kerala as a tourism destination. The diversion of the tourist traffic was mainly due to the terror affected northern states like Jammu and Kashmir, Punjab etc. Kerala took this as an advantage and was ready with new products like back water tourism, ayurveda, boutique resorts and to support the quality infrastructure was in place. The "Gods own country" campaign was an out an out success. In short the learning for other states is the need to emerge as tourism destinations by enhancing the quality of experience and creating sub brands.

TRANSFORMING WEAKNESSES INTO STRENGTHS

INDIA'S TOURISM POLICY

India is very slow on tourism policy. The Government of India announced the first Tourism Policy in the year November 1982. It took ten long years for the Government to feel the need to come up with a tourism policy and the possible improvement. Thus, tourism was perceived as a restrictive activity in India and the result of it was high tax rates and less budgetary provisions. In spite of increasing provisions for tourism industry (like - provision for building tourist infrastructure increased from Rs.423 crore in 2006-07 to Rs.520 crore in 2007-08), India is one of the lowest spenders on tourism with tourism getting 0.72% in the 10th plan (India ranks 153rd in 160 countries in investing in tourism).

TOURISM INFRASTRUCTURE

Another critical issue is hotel accommodation. There are approx 1700 hotels in the country and are having about 120000 rooms and around 140000 restaurants in urban India which are insufficient to meet the existing demand, let alone catering to new demand. The star category hotels accounts to merely 7% which is about 80000 rooms. Moreover, concentration of hotels and restaurants (approximate 7000 rooms are in Delhi itself and 15% of the restaurants are in Delhi and Mumbai) is causing an acute shortage of rooms in remaining areas which are no short of tourist destinations and attract a lot of tourists, thus further aggravating the problem. Tourism industry needs more hotels particularly budget accommodation. The existing hotels cater to only 30 percent of the medium segment markets. India needs another at least 150000 rooms in the next 3 years to sustain tourism growth and penetrate large volume markets like China. But, high land prices, land laws, high operating cost has confined the hotel sector.

On the other hand there are approximately 6000 travel and trade companies/ firms in the country. But majority of these firms are suffering from intra channel conflicts and the reason being profit margins and operational issues

COMMUNITY INVOLVEMENT

Community is an important stakeholder in tourism industry of any country. Community can play a vital role in boosting its competitiveness. The community can act as responsibility centers in providing sustainability and in managing the destination to a greater extent, but unfortunately, in Indian Tourism Ministry this important stake holder of tourism industry has been rarely been involved and sensitized. Community at large can organize events, conduct advertising campaigns and frame public relation programmes with significant support from the ministry in terms of funds.

TRANSFORMING OPPORTUNITIES INTO STRENGTHS

AIR AND GROUND TRANSPORT INFRASTRUCTURE

The increasing number of airlines has resulted in increased the number of passengers. But this has resulted in a virtual collapse of facilities at majority of Indian airports. Moreover, there is no supervising authority, maintaining and monitoring the quality and standards of services delivered by airlines making an unpleasant experience a rule, rather than an exception. Indian Railways, on the other hand another popular mode of transportation suffers from conditions worse than the airlines (in terms of reservations, punctuality, cleanliness, facilities etc). Since India welcomes tourists mostly from developed countries these problems convert their trip into a 'mission' resulting in low customer satisfaction.

TECHNOLOGY - A KEY DRIVER OF CHANGE

A key driver for sustainable development of travel and tourism in next 10 years will be technology. The Internet has already had a phenomenal impact on the way people travel. Further hand held devices and the use of digital technology will enable travelers to book and travel with out intermediaries. Because technology always reduces cost, enables faster travel and leads to successful emergence of low cost carriers. Other supportive ICT infrastructures like information booths, online reservation counters especially for rail and road needs to be made available.

TRANSFORMING STRENGTHS INTO GREATER STRENGTH

NATURAL AND CULTURAL RESOURCES

The natural and cultural resources are critical drivers of tourism competitiveness of a country. A country which offers travelers access to the natural and cultural assets clearly have a competitive advantage. Although India's USP is its heritage sites and diversified cultures on the ground the experience of tourists is suffering. The 'Incredible India' branding cannot be isolated from the ground realities. The 'customer satisfaction' is getting totally neglected. Though looking at the campaign tourist inflow may likely get increased but whether the customer goes back as a satisfied customer with good traveling experience. Whether the tourist has actually found India as it is being show cased in promotional campaigns and probability of them recommending 'India' to their family and friends back home.

HUMAN RESOURCE

The travel and tourism industry is expected to raise a demand of 10.48 millions of jobs through inbound traffic for medical, educational and leisure tourism. The manufacturing and services sector are capitalizing on the 'manpower' which has been a blessing in disguise. Even tourism industry should not be an exception, more so because it has earning and paying capacities and it is rapidly growing, so an obvious strategy to enhance its competitiveness is to equip it with the talent it requires, but unfortunately almost all components of Indian Tourism Industry are suffering from an acute shortage of skilled manpower. India prepares approximately 18000 hotel management graduates annually which is very less then what is required, and more importantly only 5000 of these actually join the core industry and rest leave for more attractive avenues (R*eport: Hindustan Times Horizons April 2007)*. Similarly, the demand for pilots is growing rapidly with the growth in number of airlines but a pilot training course which takes 9 months to complete in US takes around 3 years in India because of lack of adequate training infrastructure. India not only lacks in training and development infrastructure. But, the real hardship to train and develop these people is a hurricane task because people associated with this industry vary significantly in their background, education, occupation and experience etc (an hotelier is totally different from a taxi driver), so having a 'common program' addressing every human resource in this industry will lead to failure. Also it is not so easy to have so many different / customized programs. Finally, it is a big challenge to sensitize such a large number of diverse people simultaneously. Although efforts (like – "*atithi devo bhava*" campaign) have been made to train and groom the human resource associated with this industry, but they have not been as successful in achieving significant and measurable results as they were expected to, and neither much research has been done to measure and evaluate the impact of such efforts.

CONCLUSION

Tourism has emerged as a major industry in Asia, acting as wealth distributor and employment creator over last 50 years. The tourism industry provides employment to almost 8 percent of global employment. The World Travel and Tourism Council demonstrate that between 2008 to 2018 the highest annualized real growth of travel and tourism demand world wide, at 9.4 percent, will occur in India.

In the context of India, tourism as a vast potential employment creator and wealth distributor still remains untapped. The size of tourism industry world wide is $ 4.6 trillion where as the software industry accounts just over $500 billion. The tourism industry globally generates over 250 million jobs where as the software industry generates only 20 million jobs. As India grows and expands its base in travel and tourism, it will generate many more jobs and the sector will become a major catalyst for India's growth as a preferred tourist destination.

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A STUDY OF THE VARIOUS PERFORMANCE MANAGEMENT SYSTEMS ADOPTED BY SELECT INDIAN PRIVATE SECTOR ORGANISATIONS

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ABSTRACT

As companies, especially those in the private sector, confront the challenges of increased competition and a highly unpredictable business environment, they are seeking new ways to evaluate performance and better meet their targeted goals. Performance management is the practice of actively using performance data to improve an organization's performance. This practice involves strategic use of performance measures and standards to establish performance targets and goals, to prioritize and allocate resources, to inform managers about needed adjustments or changes in policy or program directions to meet goals, to frame reports on the success in meeting performance goals, and to improve the overall quality of work in any organization. Alternatively Performance Management is also the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a complete work system that begins when a job is defined as needed and ends when the employee performs according to the standards laid by you.This paper tries to find out the Performance Management Systems adopted by select Indian Private Sector Companies and the kind of measures they use to measure their performance. This research finds that all the companies are using both financial as well as non-financial measures to measure their performance and most of the managers are satisfied with their existing performance management systems.

KEYWORDS

Performance Management, Financial measures, Non financial measures.

INTRODUCTION

Performance management is the practice of actively using performance data to improve an organization's performance. This practice involves strategic use of performance measures and standards to establish performance targets and goals, to prioritize and allocate resources, to inform managers about needed adjustments or changes in policy or program directions to meet goals, to frame reports on the success in meeting performance goals, and to improve the overall quality of work in any organization.

Alternatively Performance Management is also the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a complete work system that begins when a job is defined as needed and ends when the employee performs according to the standards laid by you. The goal of performance management is to achieve the company mission and vision. An effective performance management system sets new employees up to succeed, so they can help your organization succeed. It provides enough guidance so people understand what is expected of them. It provides enough flexibility and room so that individual creativity and strengths are nurtured. It provides enough control so that people understand what the organization is trying to accomplish.

Today is the era of knowledge work and knowledge workers, where work is information-based and working is a mental activity, work routines are configured by the workers in response to fluid, changing requirements. The task of management in this new world of work is to enable and elicit employee contributions of value to the organization and to continue with a system designed to exact and enforce compliance is not correct, hence the need for newer performance managements systems becomes the need of the day.

REVIEW OF LITERATURE

It is widely recognized that performance measurement systems are tools for achieving organisational objectives. The traditional management accounting literature advocates the use of financial performance measures in evaluating managerial performance. Many writers (e.g.Anthony, 1965; Merchant, 1998) argue that financial performance measures communicate financial objectives, provide an overall summary of performance, do not require top management involvement in operating decisions taken at business units, can play a diagnostic

role in deciding whether or not to continue with the current strategies and do not require additional costs in order to prepare them since they are already available for external financial reporting purposes.

Hugh Evans et al (1996) state that traditionally, management accountants have provided financial results, which aim to gauge the health of the business. Over the years these results have become short-term in perspective, such as month-on-month profitability, and narrow in scope, e.g. return on capital employed. Furthermore, they argue that companies must adopt a more enlightened approach to assessing and managing company performance. If they do not, they will have increasing difficulty in coping with the challenges they face and achieving the goals they set themselves.

Kaplan & Norton (1993), characterize performance measurement systems as an essential part of company strategy. Further, they explain that executives may introduce new strategies and innovate operating processes intended to achieve breakthrough performance, then continue to use the same short-term financial indicators they have used for decades, measures like ROI, sales growth, and operating income. Effective measurement, in their opinion, must be an integral part of the management process.

Organisations have now come to realize the importance of a performance measurement & management system that enables them to more effectively drive and manage their business operations. Eccles and Pyburn (1992,) argue that financial performance measures are 'lagging indicators' since they determine the outcomes of management's actions after a time period. Therefore, it is difficult to establish a relationship between managers' actions and the reported financial results. Also, any corrective action has nothing to do with the past and it will be difficult to identify which action leads to a particular result. In addition, financial performance measures give little or no guidance to future performance since they do not include any measures relating to customers' satisfaction and organizational learning. Furthermore, Eccles and Pyburn (1992) claim that financial performance measures are oriented internally rather than externally.

According to Meyer (1997), a survey conducted by the Institute of Management Accounts (IMA) in 1996 found that only 15% of the respondent's measurement systems supported top management's business objectives very well, while 43 percent were less than adequate or poor. However, the fact remains that optimizing and managing organizational performance across the enterprise is critical to the success of every business. The challenge has been that most companies have not understood the significant level of commitment required to accomplish this mission while dedicating the level of required resources (Smith, 2002). Management accounting literature also advocates the use of non-financial performance measures as a tool in order to overcome the deficiencies attributed to financial measures. Solomons (1965,) argue that non-financial performance measures should be used, besides traditional financial performance measures (e.g. residual income and return-on - investment),in order to identify the forces that determine financial performance. These measures may include measures for productivity market effectiveness, product leadership, personnel development, employees' attitudes and public responsibility. Similarly, Parker (1979) suggests that traditional financial performance measures should be supplemented by non-financial performance measures, such as measures for productivity, market share, social responsibility, product development and employee turnover. In the intervening years, the call for a broader set of performance measures has been continuing. For instance, Kaplan (1983) calls for improving performance measurement through the use of non-financial performance measures, such as measures for productivity, quality, inventory costs, product leadership, manufacturing flexibility and delivery performance. Similarly, McNair *et al.* (1990) argue that non-financial performance measures are necessary for operational control purposes

OBJECTIVES OF RESEARCH

To study the different performance measurement systems (other than the Balanced Scorecard) adopted by Indian Companies
To know the various financial and non-financial parameters used to measure the performance of the organization
To understand the effectiveness of the PMS used and to know if the managers feel the need to change in their existing PMS

RESEARCH METHODOLOGY

The researcher has interviewed both Managers and Academicians from different companies and Institutes in order to know their experiences related to the subject matter of the study. The experiences gathered from these two sects formed a major support in designing the questionnaire. A thorough search of literature available in different books, journals, conference papers, Internet etc. has been made by abstracting and indexing journals, besides tapping sources like EBSCO database, SSRN database, etc. A questionnaire is prepared to answer the questions raised by the objectives as described above. This study is based on primary data and the researcher has contacted top and midlevel managers in selected Indian Private Sector organizations. To identify the firms for the sample extensive search was carried out through the internet and also interviews with some of the consultants helped in choosing the organizations so in this research Judgmental sampling has been used to select the respondent organisations. In this study the questionnaire was mailed to a total of 300 Indian Private Sector Companies not using the Balanced Scorecard and the total response received from the companies was 58, however only 55 were found to be complete so 3 questionnaires were omitted. So the final total sample for the purpose of analysis was taken as 55 companies. **The respondents were assured that neither their names nor their organizations names will form a part of this paper.**
The response rate was around 18 %.

RESPONDENT PROFILE

THE RESPONDING COMPANIES WERE FROM THE FOLLOWING INDUSTRIES

Consumer Durables formed 7% of the sample, FMCG and food Products formed 11%, Pharmaceuticals formed 7%, Telecom and electronics formed 13%, Automobiles and Auto Ancillary formed 17%, Construction, Cement and steel formed 11%, Tyres formed 2%, Banking and Financial services formed 7%, Information Technology formed 7% and other miscellaneous organizations formed 18% of the total sample of 55 companies.

DESIGNATION OF RESPONDENTS

25% were in the position of C.E.O, 18% were in the position of Manager (strategy), 40% were in the position of General Manager, 11% in the position of HR Manager and 6% were in the position of Finance Manager.

ALIGNMENT OF INDIVIDUALS/TEAMS PERFORMANCE MEASURES TO THE ORGANISATIONS STRATEGY

Almost 82% of the respondents said that their organisation had not aligned the performance measures to their strategies. The 18% who answered were the ones who were in the process of doing the same and had not completely aligned the performance measures to their strategies.

LINKING COMPENSATION/INCENTIVE SYSTEM TO STRATEGIC PERFORMANCE OF ALL THE EMPLOYEES IN THE ORGANISATION

Only 12% said that the compensation/incentives were linked to strategy and the remaining 88% said that it wasn't linked.

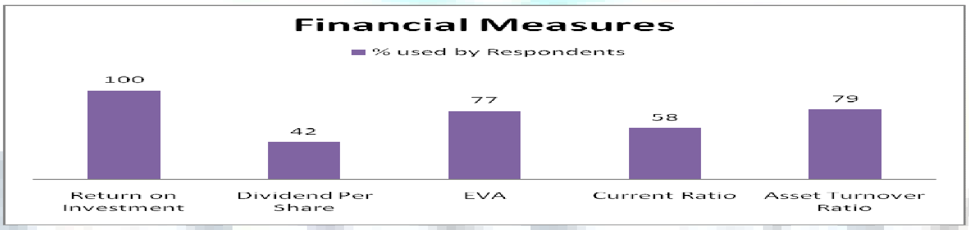
PRACTICES FOLLOWED BY COMPANIES

In case of practices followed by organizations 65% of respondents said that top level management compensation & incentives are aligned to strategic performance. Around 15% said that the Top and Middle level ranks compensation are aligned to strategy, zero percent said that compensation was linked to all levels of the organisation And 20% said that no compensation was linked to the strategic performance of the organisation.

SOME KPI'S (KEY PERFORMANCE INDICATORS) COMMONLY USED BY INDIAN COMPANIES

FINANCIAL MEASURES

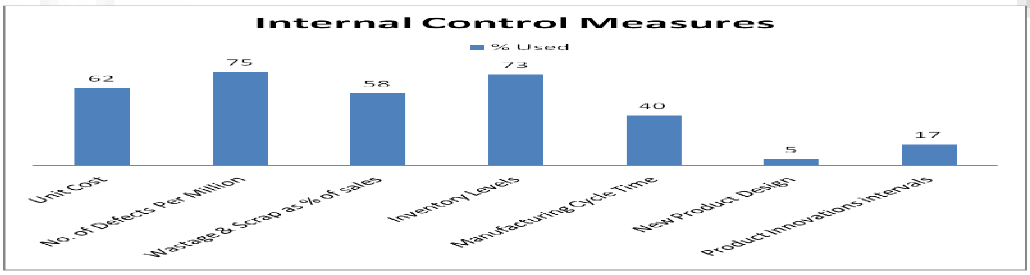
FIGURE: I



All the responding companies were using ROI as a financial measure, 42% were using Dividend Per Share, 77% were using EVA, 58 % were using Current Ratio and 79% were using Asset Turnover Ratio as the financial measure in their organizations. Some of the respondents also gave some other performance indicators but since they were only a few in numbers they were omitted from the analysis. The other performance measures specified were Operating Profit Ratio (4%), Overhead Variances (6%), and Cash Flow (2%).

INTERNAL OPERATING MEASURES

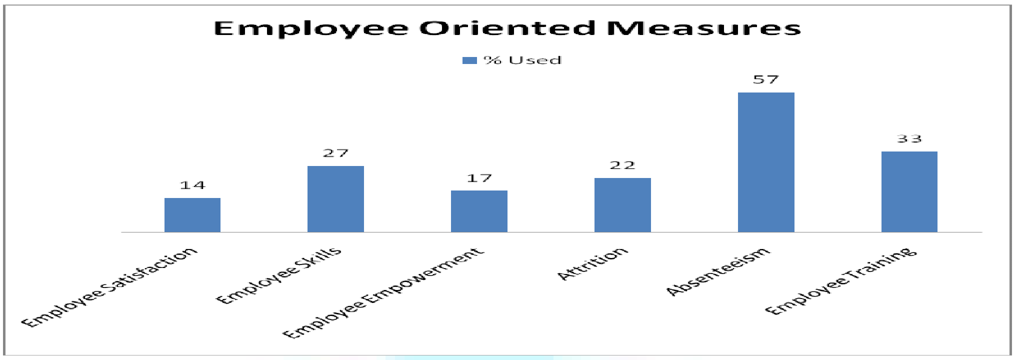
FIGURE: II



There is a 62% usage for measures like Unit cost. 75% for Number of defects per million, 58% used Wastage and Scrap as percentage of sales,73 % used Inventory levels whereas measures like New product designs, Product innovations etc. are in between 5-20% and manufacturing cycle time was around 40%.
Also some other measures were also suggested by the respondents that are in use by their organisations but since the extent of usage was very less they have been omitted from the analysis. Some the measures suggested by them were Machine productivity (2%), Labour Productivity (4%), Set-up time (3%), Distribution reach (3%) etc.

EMPLOYEE ORIENTED MEASURES

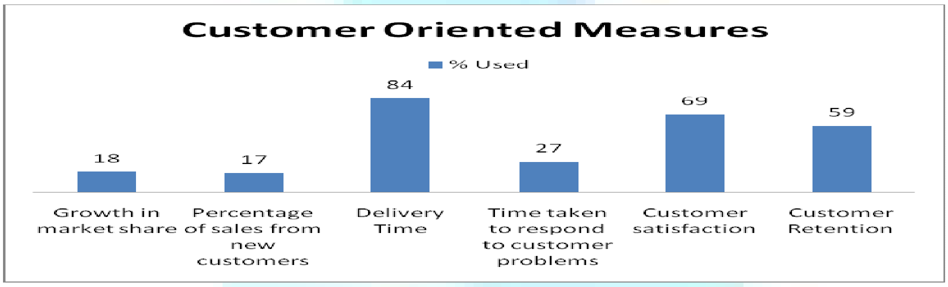
FIGURE: III



In case of usage of the Employee Oriented Measures the usage in case of Employee satisfaction as a performance measure was 14%, in case with other measures also like Employee Skills it was 27%, in case of employee training 33% of the respondents use this measure and in case of Employee Attrition it is 22% and 57% in case of Absenteeism, the lowest use was seen in case of Employee Empowerment only 17%.

CUSTOMER ORIENTED MEASURES

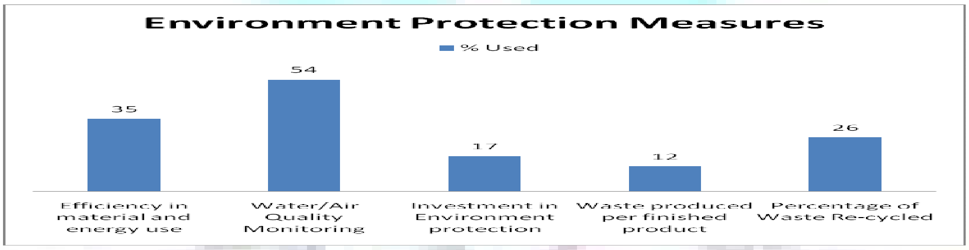
FIGURE: IV



With reference to the customer oriented measures it can be seen that measures like Growth in market share, 18% and percentage sales from new customers 17% is not very popular measure, but in case of the measure like Delivery time 84%, which signifies the importance that these organisations place to making timely delivery to their customers, and for measures like Time taken to respond to customers it is 27% and customer satisfaction it is 69%, also the last measure Customer retention it is 59%.

ENVIRONMENT PROTECTION MEASURES

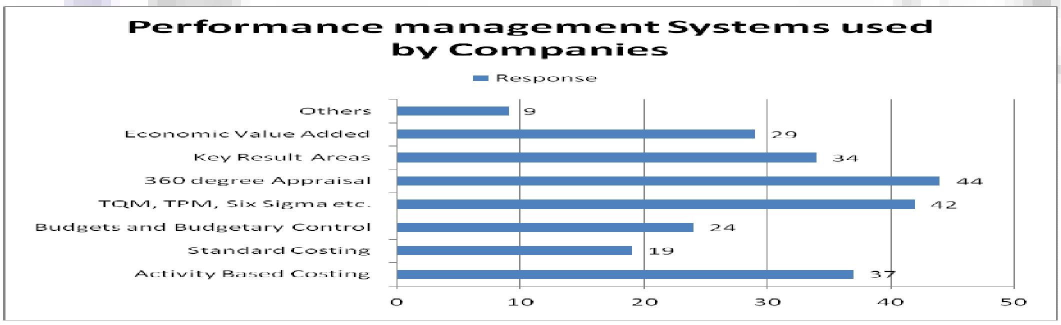
FIGURE: V



The usage of environmental measures was introduced to check the extent companies were into environment protection and it can be seen that out of the various measures specified only two measures found significant usage amongst the companies and they are Efficiency in material usage 35% and Water/Air quality monitoring 54%. This can be justified from the fact that companies either are ISO 14000 certified or are governed by the various Water and Air Pollution control laws and hence have to ensure that the waste products that they release are in accordance with the limits specified for specific industries. Also some other measures were also suggested like, number of environmental accidents (4%), Co2 emissions (5%) etc. but were not included because of less usage

MENTION THE PERFORMANCE MANAGEMENT SYSTEM USED BY YOUR ORGANISATION

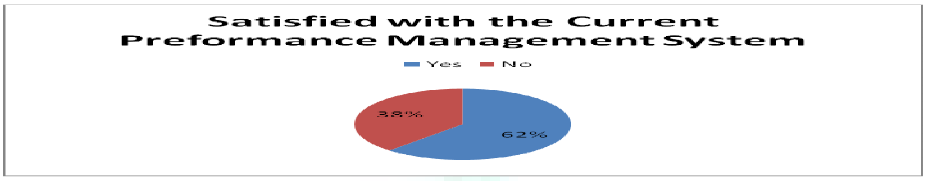
FIGURE: VI



The respondents have chosen multiple options since they were using more than one performance management systems at one time.
Most of the respondents around 80% said that they used 360 degree appraisal system. The second performance management system of choice was TQM, TPM and Six Sigma which around 76% said they used. The third was Activity Based Costing the usage of which was around 67% followed by Key Result Areas having 61% of usage. Economic Value Added had a usage rate of 52% whereas 43% said they used Budgets and Budgetary Control. 34% said they used Standard Costing and 16% said they used some other system of performance management like Benchmarking, Customer Profitability Analysis, Target Costing, etc.

SATISFIED WITH THE CURRENT PERFORMANCE MANAGEMENT SYSTEM

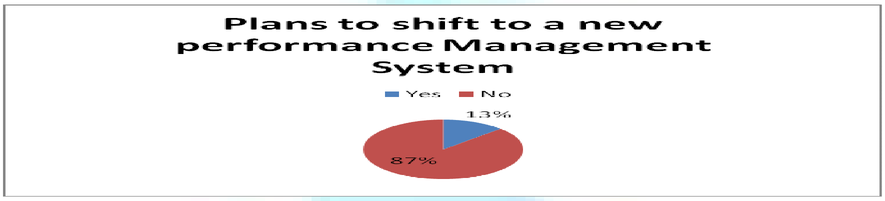
FIGURE: VII



Around 62% of the respondents said that they were satisfied with their existing performance management system whereas as 38% said that they were not satisfied.

PLANS TO SHIFT TO NEW PERFORMANCE MANAGEMENT SYSTEM

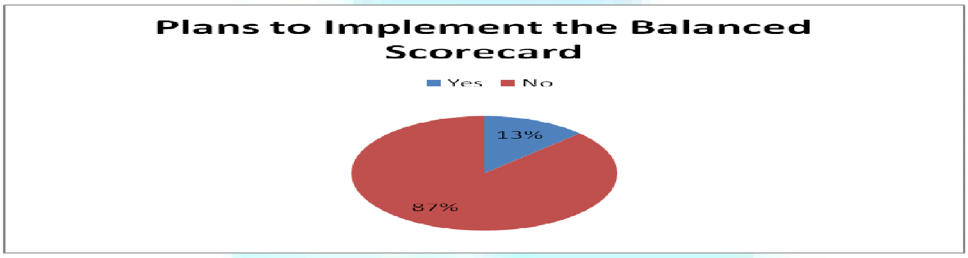
FIGURE: VIII



Only 12% of the respondents said that they were planning to shift to a new Performance Management System whereas 88% said that they had no immediate plans of shifting from the existing system

PLANS TO IMPLEMENT THE BALANCED SCORECARD

FIGURE: IX



Only 12% of the respondents said that they had plans to implement the Balanced Scorecard, whereas 88% said that they had no plans.

CONCLUSION

The main objective of this research was to find out the different types of Performance Management systems that were used by the Indian Private sector Companies. A whole lot of Performance Indicators were revealed by the companies surveyed consisting of both financial and non-financial ones and all Companies were using a whole lot of financial as well as Non-financial Measures in every functional aspect be it customers, environment, employees and even internal control.
The most widely used performance management system as per this survey was the 360 degree appraisal followed by TQM, and Activity Based Costing. This shows that organizations are more oriented towards employee appraisal than the whole performance of the organization.
Most of the Managers were happy with their existing performance management system and very few were thinking of changing their existing PMS. The one's wanting to change their PMS said that they would like to go for the contemporary PMS like the Balanced Scorecard.

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FACTORS INFLUENCING MOBILE USERS IN SELECTING CELLULAR SERVICE PROVIDERS IN INDIA: AN EMPIRICAL STUDY BASED ON STRUCTURED EQUATION MODEL

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ABSTRACT
This empirical study has investigated the factors influencing the mobile users in selecting the cellular service providers in India based on Structured Equation Model (SEM). Due to huge growth in mobile subscribers, heavy competition between service providers and Mobile Number portability facility given to the mobile users there is a need to study the impact of various factors influencing mobile users in selecting the service provider. The study was conducted on 361 Mobile phone users for a period of 3 months. The data analysis was conducted in a three-stage process. First, reliability tests were performed. Upon satisfactory results, the factor analysis of the collected data was conducted followed by Confirmatory Factor Analysis (CFA) was performed to confirm the findings. SPSS Statistics 17.0 is used to conduct factor analysis and the validity of the model. Once the model was validated, SPSS Amos 18.0 is used to test the overall fitness of the SEM. The findings have revealed that Customer Service, Service Accessibility and Service Affordability are the most important factor influencing the mobile users compared to Promotional offers to select the service provider. This study has important implication for researchers to understand the level of impact that these factors has on selection of the service provider and the correlation between these factors.

KEYWORDS
Confirmatory Factor Analysis (CFA), Customer Service, Promotional offer, Service Accessibility, Service Affordability, Structured Equation Model (SEM).

INTRODUCTION
The telecommunication market in India is booming as reported by Telecom Regulatory Authority of India (TRAI) the total telephone subscriber's base has reached 787.28 Million in December 2010. The Wireless subscription has reached to 752.19 Million in December 2010. Every month on average there is an addition of 22.62 million new subscribers for wireless telephone. The mobile phone has become a ubiquitous device which has cut across all strata of the population, at present the overall tele-density is 66.16% indicating the number of people using mobile phones in India.

In India reforms in telecommunication begin from 1980 when private sector was allowed in telecommunication equipment manufacturing. In 1985 Department of Telecommunication (DoT) was established and in 1986 government established Videsh Sanchar Nigam Limited (VSNL) for International telecommunication and Mahanagar Telephone Nigam Limited (MTNL) for services in metropolitan areas. After the Liberalization of the Indian Telecom Sector in 1994 National Telecom policy (NTP) was established to improve India's position in global Telecommunication and in 1997 TRAI was established to regulate all telecommunication services in India. Bharti, a part of Bharti Enterprises was the first mobile service provider to offer its service on July 7 1995 from then onwards Indian market has witnessed a huge surge in mobile service providers at present there are around 15 service providers in this market among them including Bharti, Reliance India Mobile (RIM), Vodafone, Bharat Sanchar Nigam Limited (BSNL), Idea Cellular Limited (Idea) are major players in this sector.

Indian Telecommunication sector is divided into fixed service providers and Cellular service providers. Cellular service providers are further divided into Global System for Mobile communication (GSM) and Code Division Multiple Access (CDMA). In India the GSM sector is dominated by Airtel and Vodafone where as CDMA is dominated by Reliance and Tata Indicom. Bharti leads the Indian telecom market share with 20.27% followed by Reliance (16.70%) and Vodafone (16.52%).

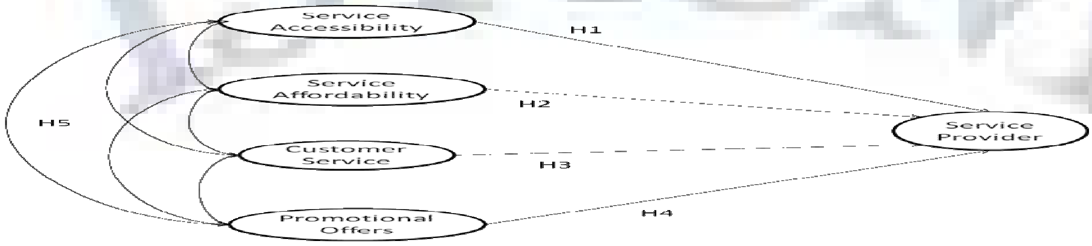
The Indian mobile phone market is growing at a tremendous speed ranging from 13 million (2003) to 167 million (2007) and reached 752 million subscribers in 2010 this growth can be contributed by booming Indian economy, increase user comfort with basic mobility services and personalization of content and devices. The launch of advanced telecom services like third generation mobile (3G) and Internet Protocol Television (IPTV) will also drive the growth in Indian telecom subscriber base and further more mobile handset market is also expected to register a robust growth in near future.

The Mobile service providers in India has transitioned from offering mere voice connectivity to providing value added services to their customers such as Multimedia Message Service (MMS) and internet connectivity. The mobile phone features are also ranging from normal cell phones to PDA features, so the mobile users are finding it increasingly difficult to choose the right service provider.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK
As reported by Internet and Mobile Association of India (2008), Tele Communication in India has moved beyond providing just voice calls. The mobile users are expecting more services from their service providers apart from just making or receiving calls from their mobile phones. There are many factors which are influencing mobile users for selecting the service provider.

This research framework consists of four major factors which are influencing mobile user in selecting the service provider they are Service Accessibility, Service Affordability, Promotional Offer and Customer Service.

FIGURE 1: FACTORS INFLUENCING THE SELECTION OF MOBILE SERVICE PROVIDER- HYPOTHESIS FRAMEWORK



SERVICE ACCESSIBILITY
Service Accessibility is about making sure its service and information can be used by a wide range of users according to their needs at any place and time. According to Australia's regulator for broad casting, the internet, radio communication and tele communication (2008) mobile service accessibility encompasses the variety of ways the telecommunication carrier can provide its connection from an end-user to a core network connection. Seol,H. et.al (2007) proposed that service providers are more concerned about service and service management, unlike tangible products , since service is a delivery system, designing and

controlling delivery process are important in management of service which need to be improved for better service accessibility to make the service available to consumer. Roma Mitra Debnath and Ravi Shankar (2008) proposed service provider creates a loyal customer base by benchmarking their performance and retaining existing customer in order to benefit from their loyalty. Service provider can create a loyal customer with good service accessibility which is very important factor in selection of the service provider. Therefore, in selection of required mobile service provider service accessibility has significant role. The following hypothesis has been deliberated for further studies.

Hypothesis1 (H1): The service accessibility has a positive and significant effect in selecting the service provider

SERVICE AFFORDABILITY

Affordability is a measure of cost related to the amount that a purchaser is able to pay. Kollmann (2000) states that Price plays a vital role in telecommunication market especially for the mobile telecommunication service providers. Michael Draganska & Dipal Jain (2003) analyzed that companies should differentiate consumer preference by using product line as a price discrimination tool by providing different variety of tariff plans to consumer to purchase the product or service according to their requirement.

India is having 752.19 Million mobile subscribers and Informate Mobile Intelligence reports claim that in Average Minutes Per User (AMPU) in India is 25 to 30 minutes per day of active time on voice calls and almost 15 to 20 minutes per day of the active time on messaging. Bharati the major mobile service provider in India claims as on November 2010 that Indian Monthly Average Revenue Per User (ARPU) is 202 rupees which is reduced at 20% on a year base and it is expected to decrease further. As there is an increase in mobile subscribers and increase in AMPU at the same time there is a decrease in ARPU Mobile service providers are planning to attract Mobile users to their service with less affordable price. Jallet and Fredric (2008) analyzed the importance of yield management and discrimination pricing in telecommunication sector. Yield management techniques can help telecom operators and similar companies to optimize the benefits they can derive from a subtle management of information networks and partnerships. So, Service affordability is the also one of the main factors for Indian mobile user for selecting the mobile operator. Second Hypothesis is formulates as.

Hypothesis2 (H2): The service affordability has a positive and significant effect for selecting the service provider

PROMOTIONAL OFFERS

Alvarez and Casielles (2005) specified promotion is a set of stimuli that are offered sporadically and it reinforces publicity actions to promote the purchasing of a certain product. Mobile service providers are giving different promotional offers like prepaid offers on top-up recharge, E-recharge mobile top up vouchers for prepaid connection, chota recharge topup, bonus cards, phone alert of astrology, cricket score, call management services, caller tunes, free mobile calls, Short Message Services (SMS) offers, limited time free internet usage, various kinds of ring tone services, dialer tone services and other promotional offers to attract the mobile users.

Chinnadurai and Kalpana (2006) analyzed the increasing competition in cellular services, changing mobile users taste and changing preferences of the customer's all over the world. These circumstances are forcing companies to change their customer promotional strategies. It is analyzed that advertisement play a dominant role in influencing the customers but most of the customers are of opinion that promotional strategies of cellular companies are more sale oriented rather than customer oriented.

Hypothesis3 (H3): The Promotional offers has a positive and significant effect in selecting the service provider

CUSTOMER SERVICE

Arindam Mukherjee (2006) analysed that the major challenge for the mobile service provider is managing customer. Industrial analysis revealed that only 25% of the acquired customer stay with the company after a year's time and on average only 20 – 30 % of the entire customer base is revenue earning customers. It is very important for service provider to manage customer and concentrate on retaining the existing valued customer by creating more value to improved customer experience.

The service providers need to identify the unique needs of the individual customer and then attempt to develop services which satisfy those multifaceted needs. Carol Wilson (2009) stated that the telecom industry is no longer talking only about customer service but they are concentrating on customer experience, which include not just the conversations between customer service representative and customer but the full range of customer contact from service order to service delivery. It is analysed form the literature review that customer service is also one of the factor which is influencing the mobile user in order to select the service provider therefore the following hypothesis is formulated.

Hypothesis4 (H4): The Customer Service has a positive and significant effect in selecting the service provider

Hypothesis5 (H5): Service Accessibility, Service Affordability, Promotional Offer and Customer Service factors will have a significant positive correlation towards each other for selecting the Mobile Service provider.

RESEARCH METHODOLOGY

Structural Equation Modeling is used as the main statistical technique. The methodology used to develop the instrument followed the guidelines given by Churchill (1979), Gerbing and Anderson (1988) and O'Leary-Kelly and Vokurka (1998). Data was collected through questionnaire survey. The questions in the survey are self created. 5 point likert scale was used (1 strongly disagree, 2 disagree, 3 nether agree or disagree, 4 agree and 5 strongly agree) to measure affects of Service Accessibility, Service Affordability, Promotional Offer and Customer Service for selecting the service provider. The research questions consisted of 23 questions. The first 3 questions are related to demographic variables age, gender and Family monthly Income. The remaining 20 questions are related to Mobile service accessibility, Service affordability, promotional offers and Customer Service. The questionnaire was pretested with a pilot study on a small sample size of 30 respondents to clarify the overall structure of questionnaire to test its consistence and reliability of questions to its research objective.

SAMPLING AND DATA COLLECTION

A total of 400 questionnaire forms were distributed to respondents in different parts of Andhra Pradesh for a period of 3 months from December 10th 2010 till March 8th 2011. A total of 361 questionnaires were analyzed for the research as other 39 questionnaires were incomplete. All the respondents are mobile phone users for at least one year and selected based on convenience sampling method. Respondents are clearly explained about the objective and purpose of the research article before distribution of the article.

The demographic characteristics of the customers are summarized in Table 1. Majority of respondents are males 207 (57.34%) and female respondents are 154 (42.66%). Majority of respondents are of age group 21 years to 30 years (40.17%).

TABLE 1: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Variable		Frequency	Percentage
Gender	Male	207	57.34
	Female	154	42.66
Age	Below 20 years	41	11.36
	Between 21 to 30 years	145	40.17
	Between 31 to 40 years	109	30.19
	Above 41 years	66	18.28
Family Monthly Income	Below Rs. 10,000	132	36.56
	Between Rs. 10,001 to 25,000	121	33.52
	Above Rs. 25,001	108	29.92

DATA ANALYSIS

The data analysis was conducted in a three-stage process. First, reliability tests were performed. Upon satisfactory results, the factor analysis of the collected data was conducted followed by Confirmatory Factor Analysis (CFA) was performed to confirm the findings. SPSS Statistics 17.0 software is used to analysis the Content validity, Construct validity and Convergent validity of the model. Once the model was validated, SPSS Amos 18.0 software is used to test the overall fitness of the Structural Equation Model (SEM) and to estimate the relationships between the independent variables and the dependent variable so as to accept or reject the hypothesis.

RELIABILITY TESTS

The reliability of 20 items in the questionnaire is tested with Cronbachs' alpha (Cronbach, 1951). Cronbach alpha reliability coefficient is 0.855 which is exceeding the suggested level of 0.70 (Nunnally, 1978). It suggests that the questionnaire is having reliability and can be used for further analysis.

EXPLORATORY FACTOR ANALYSIS

The Kaiser-Meyer-Oklin (KMO) and Bartlett's Test is used to test suitability of data for factor analysis. KMO value was 0.852 exceeding the recommended value of 0.60 which can be considered as adequate (Kaiser and Rice, 1974) while Bartlett's Test of sphericity reached statistical significance (Approx. chi-square 2125.784, df 190 and Sig 0.00) which signifies the data is good for conducting factor analysis.

The 20 items were subjected to Principal Component Analysis (PCA) with varimax rotation to test the suitability of data for factor analysis. The items having factor loading less than 0.50 should be eliminated (Hair et al, 1996) but all factor loading each items are above 0.50 suggesting that the data set is appropriate (Stewart, 1981). So, all 20 items are accepted and PCA revealed that these 20 items are grouped into 5 components with Eigen values exceeding 1, explaining 5.388, 2.633, 1.939, 1.726 and 1.278 respectively. The total percentage of variance is 75.821. The individual dimensions of the proposed instrument explained total variance exceeding 60 percent, suggesting the appropriateness of the process. These components correspond to five constructs influencing the Mobile user in selecting the service provider in structural model – Service Accessibility, Service Affordability, Promotional Offers and Customer Service. The results of the Principal Component Analysis can be viewed in Table2.

CONFIRMATORY FACTOR ANALYSIS

According to Ahire, Golhar and Waller (1996) Confirmatory Factor Analysis (CFA) provides enhanced control for assessing unidimensionality than Exploratory Factor Analysis and is more in line with the overall process of construct validation. Unidimensionality measure the extent to which the items in a scale all measure the same construct (Venkatraman, 1989). In this study, CFA model is run through SPSS AMOS 18.0 software. CFA was conducted for each of the five constructs to determine whether the 20 indicators measured the construct they were assigned to adequately. Some of the important validity tests generally considered includes construct validity and Convergent validity.

CONSTRUCT VALIDITY

In the present study, in order to check for unidimensionality, a measurement model was specified for each construct and CFA was run for the entire construct. If a Comparative Fit Index (CFI) is 0.90 or above for the model implies that there is a strong evidence of unidimensionality (Byrne, 1994). CFI values for this construct are specified in table3. This indicates a strong evidence of unidimensionality for the scale.

CONVERGENT VALIDITY

It is the degree to which multiple methods of measuring a variable provides the same results (O'Leary-Kelly and Vokurka, 1998). Convergent validity can be established using a coefficient called Bentler-Bonett coefficient. The Bentler-Bonett Normed Fit Index (NFI) is 0.950 in this research which is obtained from CFA can be used to assess convergent validity. This index measures the extent to which different approaches to measuring a construct produces the same results (Hair et al, 1996). According to a rule of thumb, NFI values of 0.90 or greater than that indicates an adequate of model fit (Bentler, 1980).

TABLE 2: FACTORS EXTRACTION RESULTS OF THE ITEMS IN QUESTIONNAIRE

Item No	Component	Factor Loads	Eigen Value	% variance
SERVICE PROVIDER (SP)				
SP1	I trust the service provider	0.741	5.388	26.940
SP2	I have good opinion on the service provider	0.728		
SP3	The service provider has popular brand name	0.766		
SP4	The service provider has good network coverage	0.708		
CUSTOMER SERVICE (CS)				
CS1	Customer care staff are reliable	0.722	2.633	13.163
CS2	Customer care staff are helpful	0.756		
CS3	Customer care staff provide correct information	0.823		
CS4	Customer care staff provide prompt information	0.723		
SERVICE ACCESSIBILITY (SA)				
SA1	Customer service centre are easily accessible	0.771	1.939	10.696
SA2	Customer service centre are in my near proximity	0.717		
SA3	Customer service centre are available every where	0.848		
SA4	Customer service centre provide quality service	0.743		
SERVICE AFFORDABILITY (SF)				
SF1	Call rates are economical	0.740	1.726	8.630
SF2	Call rates are worth paying	0.821		
SF3	Tariffs schemes suit my budget plans	0.756		
SF4	Initial subscription cost is low	0.797		
PROMOTIONAL OFFERS (PO)				
PO1	Promotional offers are attractive	0.789	1.278	7.391
PO2	Promotional offers are useful	0.790		
PO3	Promotional offers are important	0.811		
PO4	Promotional offers are reliable	0.744		
Total percentage of variance		75.821		

TABLE 3: DESCRIPTIVE STATISTICS FOR THE QUESTIONS IN THE SURVEY

Item No	Description	Mean	S.D
SP1	I trust the service provider	4.06	0.928
SP2	I have good opinion on the service provider	4.07	0.865
SP3	The service provider has popular brand name	4.10	0.889
SP4	The service provider has good network coverage	3.97	0.952
CS1	Customer care staff are reliable	3.53	0.998
CS2	Customer care staff are helpful	3.64	0.920
CS3	Customer care staff provide correct information	3.56	0.970
CS4	Customer care staff provide prompt information	3.46	0.954
SA1	Customer care service centre are easily accessible	3.30	1.121
SA2	Customer service centre are in my near proximity	3.05	1.115
SA3	Customer service centre are available every where	3.15	1.090
SA4	Customer service centre provide quality service	3.37	0.998
SF1	Call rates are economical	3.65	1.018
SF2	Call rates are worth paying	3.66	0.949
SF3	Tariffs schemes suit my budget plans	3.59	1.073
SF4	Initial subscription cost is low	3.66	1.028
PO1	Promotional offers are attractive	3.57	1.078
PO2	Promotional offers are useful	3.57	1.026
PO3	Promotional offers are important	3.47	1.021
PO4	Promotional offers are reliable	3.55	1.016

The following value are found in our study for each parameter to test model fit

TABLE4: PARAMETER VALUE FOR MODEL FIT MEASURES WITH SPSS AMOS

Name of the Parameter	Value
Goodness of Fit Index (GFI)	0.961
Adjusted Goodness of Fit Index (AGFI)	0.938
Normed Fit Index (NFI)	0.950
Comparative Fit Index (CFI)	1.000
Tucker-Lewis Index(TLI)	1.018
Incremental Fit Index(IFI)	1.012
Relative Fit Index(RFI)	0.929
Root Mean Square Error of Approximation (RMSEA)	0.001

Based on various studies conducted by Bentler and Bonett (1980), Jöreskog, and Sörbom (1974), Bollen's(1989) and Bentler (1980) it was suggested that if the Index value is greater than 0.9 and if RMSEA values is less than 0.05 it indicates model is fit and accepted.

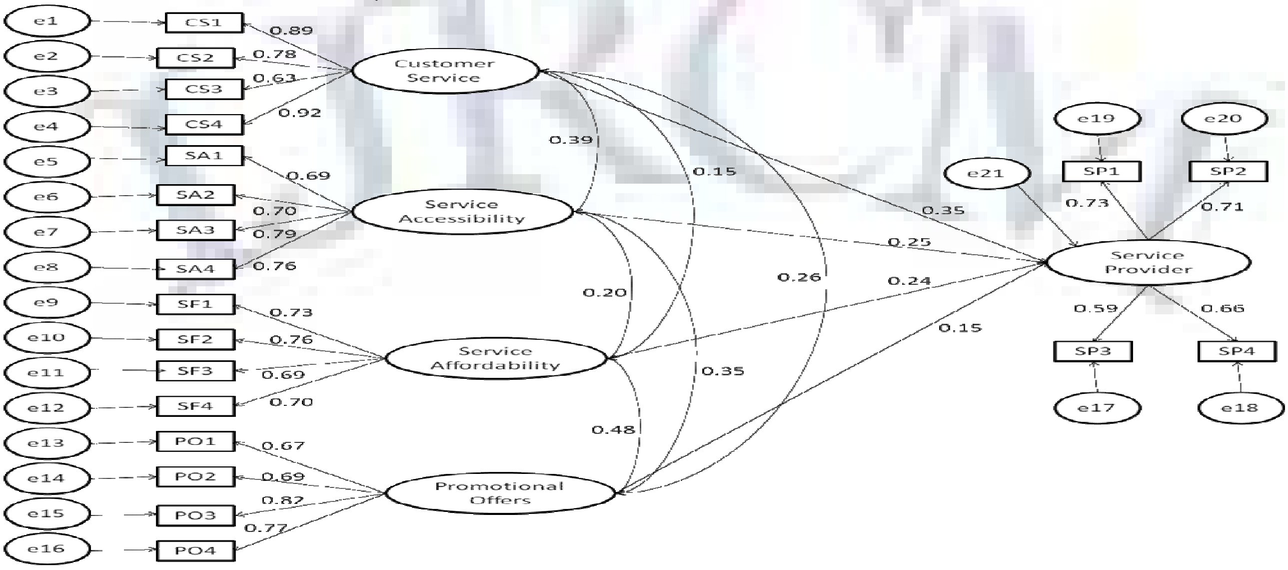
STRUCTURE EQUATION MODEL

SPSS Amos 18 software is used to perform confirmatory factor analysis using Structural Equation Model (SEM). Total number of variables in the model is 46, number of observed variables 20, number of unobserved variables 26. The data has no missing values. The model is over-identified, a preferable situation for SEM. According to the univariate and multivariate normality tests the data is not normally distributed. After the data was normalized, the Maximum likelihood (ML) estimation method is used. ML attempts to maximize the likelihood that obtained values of the criterion variable will be correctly predicted.

MODEL FIT

Based on Structure Equation Model using SPSS Amos 18 it is found that Chi-square(CMIN) = 108.485, Degree of freedom(DF) = 133 and probability level is about 0.941 which is evidence against the null hypothesis is not significant at the 0.05 level. CMIN/DF is called as the minimum discrepancy which is 0.816 Wheaton et al (1977) suggested that if the minimum discrepancy is less than 5 the model is reasonable fit.

FIGURE 2: STRUCTURE EQUATION MODEL - THE PATH DIAGRAM WITH STANDARDIZED PARAMETERS ESTIMATE



FINDINGS

SPSS AmosGraphics has specified path-diagram in figure2 specifies the relationship between the 20 observered variables and 5 unobservered variable. The portion of the model that specifies how the unobserved variables are related to each other is called structural model. In this present structural model Service Provider is the dependent variable and the four variables Service Accessibility, Service Affordability , Customer Service and Promotional Offers are independent variable. The Regression weights estimates provides the relative importance. The estimates with the largest value represents the most important dimension in terms of its influence on overall Service provider selection. The findings of the regression weights estimates are summarized in table 5.

TABLE5: STANDARDIZED REGRESSION WEIGHTS ESTIMATIONS

Factor	Direction	Factor	Estimate
Service Provider	←	Service Accessibility	0.253
Service Provider	←	Service Affordability	0.235
Service Provider	←	Promotional offer	0.148
Service Provider	←	Customer Service	0.354

Hypothesis1 (H1): The Service Accessibility has a positive and significant effect in selecting the service provider with Standardized regression weight of 0.253. So, Hypothesis1 is accepted.
Hypothesis2 (H2): The service affordability has a positive and significant effect for selecting the service provider with standardized regression weight of 0.235. So, Hypothesis2 is accepted.
Hypothesis3 (H3): The Promotional offers has a positive and significant effect in selecting the service provider with standardized regression weight of 0.148. So, Hypothesis3 is accepted.
Hypothesis4 (H4): The Customer Service has a positive and significant effect in selecting the service provider with standardized regression weight of 0.354. So, Hypothesis4 is accepted.

TABLE6: THE ESTIMATION OF CORRELATION AMONG EXOGENEOUS VARIABLES

Exogeneous Variables	Correlation	Exogeneous Variables	Estimate
Customer Service	↔	Service Accessibility	0.393
Service Accessibility	↔	Service Affordability	0.203
Service Affordability	↔	Promotional offer	0.481
Promotional offer	↔	Customer Service	0.264
Customer Service	↔	Service Affordability	0.149
Service Accessibility	↔	Promotional offer	0.354

Hypothesis5 (H5): Service Accessibility, Service Affordability, Promotional Offer and Customer Service exogeneous variables which has a significant positive correlation towards each other as specified in table6. So, Hypothesis5 is accepted.

DISCUSSION

A review of literature revealed that Service Accessibility, Service Affordability, Promotional Offers and Customer Service are four important factors which are influencing the customer in selecting the service provider. This study provides a significant contribution to the theory by conducting factor analysis and Structure equation method to know the impact of these factors in selection of service provider.
Customer Service has the highest impact of 0.354 standardized regression weight on selection of service provider from the literature review it is known now retention of the customer is very important to service providing company than searching for a new customer because the cost of acquiring a new customer is more than retention of the old customer. All service providers are concentrating on customer service in order to retain the customer as especially after Jan 2011 where TRAI has implemented number portability in India. Now customers can retain his mobile number and easily change their service provider with minimum charges. So, customer service is very important factor at present scenario for selection of service provider.
Service Accessibility is the second factors which influence the customer in selection of the service provider with 0.253 standardized regression weights. Service Accessibility is availability of the network, SIM cards and customer service centre for customer. At present time where customer is looking for more convenient and easy methods for procuring the services, companies have launched easy recharge for talk time and established more customer service centers for easy accessibility to customer.
Service Affordability is the third factor which is influencing the customer for selecting the service provider with 0.235 standardized regression weights. Service Affordability is the tariff plans companies provide to the customer to use their service. At present due to huge competition companies has reduced their talk time cost in order to attract the customer. Customer is aware that all service providers are providing same price with slight modification in their packages.
Promotional Offers is the fourth factor which is influencing the customer for selecting the service provider with 0.148 standardized regression weights. Promotional offers have very less impact on selection of service provider because customers are aware that these promotional offers are purely to attract them for their service. Customers are always cautious in selecting the service provider based on the promotional offers.
Promotional Offers has high correlation with Service Affordability in selection of the service provider because generally promotional offers contain cost benefit for customer and there is very less correlation between Customer Service and Service Affordability.

CONCLUSION

This study used the Structured Equation model to understand the factors which are influencing the customer for selecting the service provider in India. There is a huge growth in mobile subscribers in India and heavy competition between the service providers, TRAI has implemented number portability due to which customers has a chance to select their own service provider keeping the mobile number unchanged. At present there is a very little research available to investigate the factors influencing selection of service provider in India. The findings of this study contribute to a better understanding of the relationship between Service Accessibility, Service Affordability, Promotional Offers and Customer Service to select the service provider. In particular, the finding in this research can help practitioners and academicians' to understand the level of impact that these factors has on service provider and the correlation between these factors. The result of this research predicts that Customer Service is most important factor than Promotional Offers which is influencing the customer to select their service provider.

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TRAINING AS A TOOL FOR HUMAN RESOURCE DEVELOPMENT: A CASE STUDY OF TATA TELESERVICES LTD., JAMMU (INDIA)

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ABSTRACT

Training is a basic tool for organizational effectiveness. It is the most important function that directly contributes to the development of human resources. Human Resource Systems can be efficiently used in any organization if a proper training is provided to its employees. For the development of Human Resource, the organization should create conditions in which people acquire new knowledge and skills and develop healthy patterns of behavior and styles. Human resource is one of the factors which drive business for competitiveness. Every organization needs the services of trained persons for performing the activities in a systematic way. The fast changing technological development makes the knowledge of employees absolute. Some employees may have some previous knowledge of the job while others may entirely be new. Both types of workers will need some kind of training to acquaint them with the job. Training is, thus, primarily given to the individual for improving his performance on his current job. The present study has been conducted to understand the training needs of operational level personnel and to study the existing training programmes for operational level personnel at TATA Teleservices Ltd. (TTSL) JAMMU. This research study also strives to find a gap between the existing training programmes and training needs of the operational level personnel. The research paper also study the relationship between Training provided by the organization and Job satisfaction of the employees; and finally to suggest improvements in the training programmes for operational level personnel. The study revealed that training at TATA Teleservices Limited, Jammu is given top priority by the management. The training needs are identified from the performance appraisal, the annual (technical) training needs assessment and through individual request for training. Many employees are sent for inter-unit visit so that they can learn how various functions are performed in other units. The Human Resource Development department has prepared a manual of personnel policies which is given to all the managers. It is an open document, which is accessible to all employees. Concise manual providing information about salaries and perk is also under preparation. This suggests the need for training in TATA Tele Services. The main recommendations on the basis of the study on training are to develop a training policy in accordance with the business plans of the company, and to make every employee in the organization to work closely with the line managers to determine training needs. All training sponsorship should be entirely need-based and to make it mandatory for every person attending training to give a presentation and submit an action plan on how input from training can be implemented. To make the person accountable for his/her action plan and to conduct periodic reviews to evaluate the progress made by him/her. Thus it helps in succession planning for all strategic roles of the individuals in the organization. Apart from these recommendations a job rotation policy in tune with the business goals of the organization is strongly suggested. This would lead to multiskilling and increase the commitment level of the employees, resulting in better production.

KEYWORDS
Human Resources, Development, Tele services, Managers, Training.

INTRODUCTION

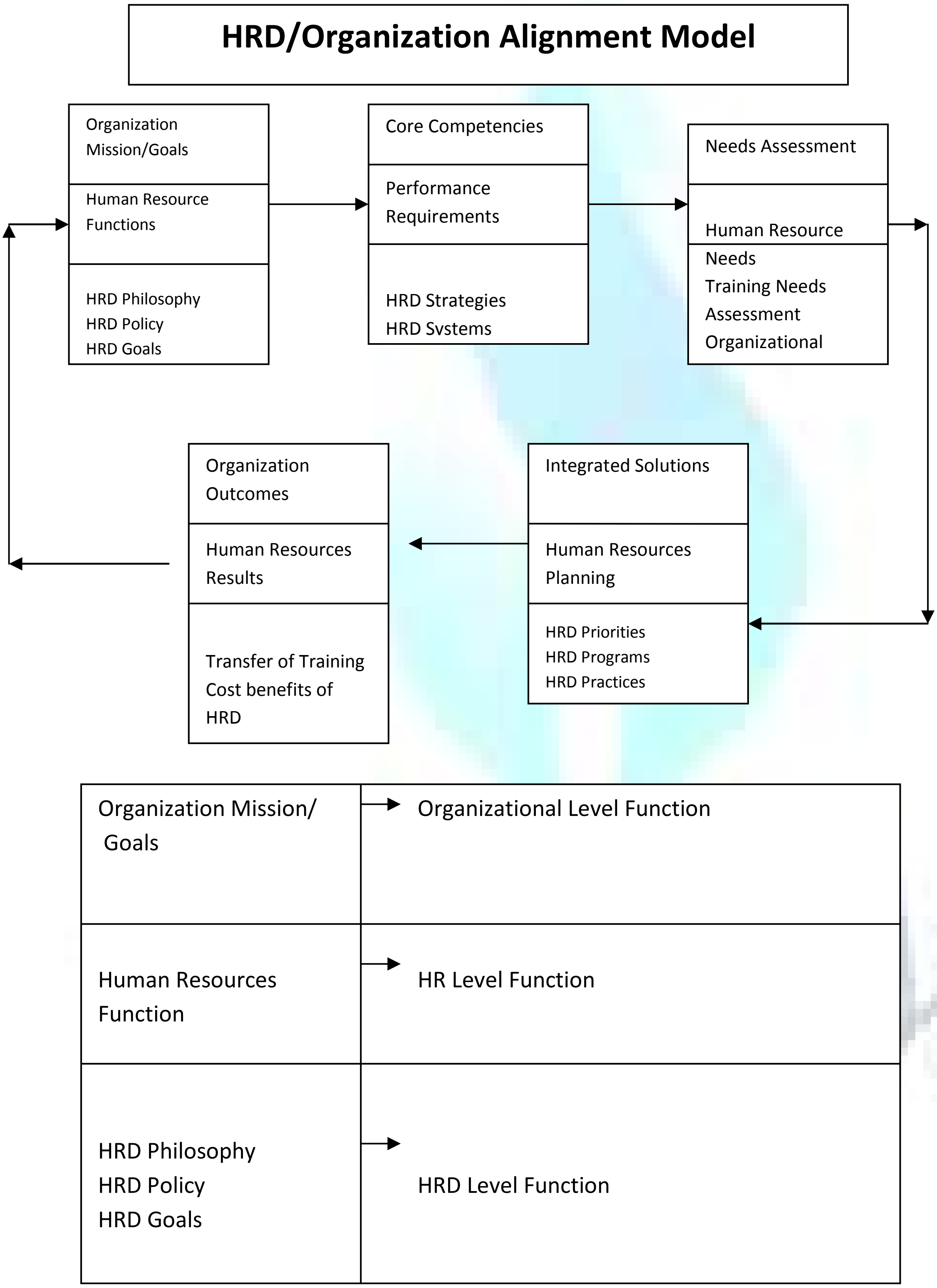
Training is the most important function that directly contributes to the development of human resources. For the development of Human Resource, the organization should create conditions in which people acquire new knowledge and skills and develop healthy patterns of behavior and styles. This is possible through personal guidance as well as institutional training. The technique of training has been a key factor and a major tool used to achieve the objective of Human Resource Development. With the fast changing ways of functioning of every organization and to keep pace with the competitive environment in the universe, time to time training is very important at all their respective levels.

In a business, human resource is one of the factors which derive business for competitiveness. Every organization needs the services of trained persons for performing the activities in a systematic way. The fast changing technological development makes the knowledge of employees absolute. Some employees may have some previous knowledge of the job while others may entirely be new. Both types of workers will need some kind of training to acquaint them with the job. Every enterprise requires separate training department to prepare workers for undertaking the job and also keeping them acquainted with latest technological advancement. The literature surveyed supports that Training is a basic tool for organizational effectiveness. It implies that Human Resource Systems can be efficiently used in any organization only if a proper Training is provided. In fact, the effectiveness of Human Resource Systems Management depends on how it is linked to the corporate strategy and how its internal processes are carried on. The concept of Human Resource Systems assumes that human beings are the most valuable asset to the organization and their contribution has to be seen as cardinal to the successful achievement of organizational objectives. This positive view of people working in the organization, as an asset with unlimited potential, is the core concept of Human Resource Systems. Different perspectives exist in a bid to portray Human Resource Systems in respective frames of reference. According to Beer et. al. (1984) Human Resource Management functions include human resource flow (into, through, and out of the organization), reward system, and work systems. Fomburn et. al. (1986) has divided Human Resource Management functions into five categories- selection, performance, performance appraisal, rewards and development. Decenzo and Robbins (2004) have included staffing, training and development, motivation and maintenance in Human Resource Management functions. Also, Human Resource Management Systems of different countries may change and become more similar or even converge towards same model (Rowley et. al., 2004, Boxall and Purcell, 2003). Besides, as Stefan (2007) comments that: "There is a best way of managing and a small change can bring in an incremental change in organizational effectiveness. Thus, suggesting the importance of training.

In this dynamic environment, Human Resource managers have recognized the need to act as business partners to line leaders (Galbraith, 1992, 1994, 1996 Ulrich et al., 1994, Martell & Carroll, 1995, Conner & Ulrich, 1996, Rao,1986, Rohmetra,1998). Kessler (1995) suggests complete human resource transformation to attain organizational effectiveness. Similarly, more recent theoretical work highlights the crucial role human resource management might play in augmenting organizational performance. According to the resource-based view, firms can only build up and maintain competitive advantage when they are able to create it

in a way which is demanding for competitors to imitate. Compared to traditional sources of competitive advantage like natural resources, technology or economies of scale, complex social structures such as an employment system are more difficult to imitate and might hence be a key source for creating competitive advantage (Becker and Gerhart, 1996; Miner and Mezias, 1996; Kaplan and Norton, 2001; Yattoo ,2001; Meneguzzo, 2000; Stefan Kuntz, 2007).
Macduffie and Krafcik (1992, 1995) studied 70 automotive assembly plants representative 24 companies and 17 countries worldwide. This study indicated that manufacturing facilities with 'learn production system' are much higher in terms of both quality and productivity than those with 'mass production system'. A subsequent study by Huselid and Becker (1997) found that a one standard deviation improvement in Human Resource system index was associated with an increase in shareholder wealth of $41,000 per employee. Delery and Doty (1996) in a study of nearly 200 banks found that differences in Human Resource practices accounted for large difference in financial performance. Huselid concluded that 'prior empirical work has consistently found that use of effective human resource management practices enhances firm's performance' (Huselid, 1995:640).
According to HRD/ Organizational Alignment Model, "Human Resource Management could be seen as a menu of strategic choices to be made by Human Resource executives intended to promote the most effective role behaviors that are consistent with the organization strategy and are aligned with each other."

FIGURE 1: ORGANIZATION ALIGNMENT MODEL



Source: Marjorie L. Budd, "U.S. Office of Personnel Management, Training Needs Assessment Handbook: A Guide for conducting a Multilevel Needs Assessment, HRDG Document 024(Washington, DC, 1994)

The Organization Alignment Model as shown in figure 1 is based on a "top-down" approach. This approach facilitates the following outcomes:

- Linkage of HRD to a broader HR and Organization Framework.
- A framework in which to plan and mange agency HRD activities
- Awareness of HRD as a key management tool
- Assessment of the effectiveness of HRD within the context of Organizational effectiveness.

In spite of all this research evidence, as Pfeffer (1998) observes, even in countries like US and the UK, the spread of the practices is not as rapid as one might expect. Research by Ichniowski (1992) has indicated that only 16 per cent of the US business has at least one innovative practice in each of the four major Human Resource Management policy areas: flexible job design, worker training, pay for-performance compensation and employment security. Pfeffer (1998) has identified the following seven practices of successful organization on the basis of his review of various related research studies, his own personal observations and experience. These seven dimensions seem to characterize most if not all of the system – producing profits through people. These dimensions are Employment security, Selective hiring of new personnel, Self-managed terms and decentralization of decision making as the basic principles of organizational design, Comparatively high compensation contingent on organizational performance, Extensive training, Reduced status distinctions and barriers including dress, language office arrangement and wage differences across levels and extensive sharing of financial and performance information throughout the organization.

HUMAN RESOURCE DEVELOPMENT IN TATA TELESERVICES LTD. (TTSL)

Human Resource Development Programme in TATA Teleservices Ltd. (TTSL) formally commenced in the year 1996. Nineties had experienced a relative stagnation as well as structural obsolescence. The nineties however posed different kind of challenges. The first step taken was reorganization of operational offices viz. branch offices on the basis of work reallocation. This gave people at work specific assignments, considerable degree of autonomy, greater sense of participation and an opportunity to grow at work, resulting in involvement, satisfaction and enhanced opportunities in their career. Since then a culture of Human Resource Development has evolved in TSL. The effect of this culture can be well seen in two thousands. Some of the significant features of this organizational development effort carried out in the first half of two thousand were:

- Opportunity to make total performance budget at the primary operating level viz. branch, with the involvement of all the levels.
- Consultative management through Branch Management committee.
- Decentralization of all jobs related to customer service at branch offices making the work integrated and meaningful, and
- Data processing support at branch level giving people a sense of self-reliance and independence. Earlier this was from the controlling divisional offices, the second level operational tier.

In 2010, the TATA Teleservices Limited (TTSL) launched a major exercise of organizational restructuring which led to major decentralization of responsibilities to the branches. Each was recognized as a profit and growth centre. The numbers of position in the branches as well as the level of responsibility in these positions were considerably enhanced. Microprocessors were made available to branches. The new structure provided for consultation processes and joint decision-making in planning and other operations. The new systems include data being generated about the socio-economic conditions of the area under the Branch jurisdiction for planning purposes, developing strategies for operations on the basis of such data. Consequent to the restructuring of work, there is a need to enhance the skills of the personnel to operate the new systems. It is recognized that the organization to successfully adapt to the serious challenges from the complex turbulent environment, needed long-term strategies with regards to the social systems. Aware of the fact, that bureaucratic procedures, narrowly defined jobs and tight supervision can wreak havoc on human motivation and that excellent performance comes when individuals are committed to using full capacities to solve problems, the need is felt to develop strategies that meet the needs for learning, development, belongingness, variety and creativity. The Human Resource Development goals of TATA Teleservices Limited (TTSL) in the revised structure can be listed as:

- To ensure that adequate number of persons with sound background and experience, both as generalists and specialists, are available at different levels, to facilitate enhanced standards of service to customers and help the organization in attaining fast growth.
- To provide human resource policies that are not only fair and just but also perceived as fair and just.
- To provide employees equitable opportunities to move up in the organization on the basis of their performance and ability.
- To ensure that responsibility for result is provided right from the lower levels so that employees can develop a sense of independence and self-confidence.
- To provide employees opportunities for learning new and varied skills thus making the work more satisfying and meaningful.
- To provide opportunities for training and development of employees with special potential.

OBJECTIVES OF THE STUDY

In the backdrop of the literature surveyed, the present study revolves around the following objectives:

1. To understand the training needs of operational level personnel at the TATA Teleservices Ltd. (TTSL) JAMMU.
2. To study the existing training programmes for operational level personnel at TATA Teleservices Ltd. (TTSL) JAMMU.
3. To find a gap between the existing training programmes and training needs of the operational level personnel.
4. To study the relationship between Training provided by the organization and Job satisfaction of the employees
5. To suggest improvements in the training programmes for operational level personnel.

RESEARCH METHODOLOGY

SAMPLE DESIGN

Stratified random sample technique, employees has been applied by first giving numbers to employees and then randomly selecting the sample, the sample size is roughly determined as nearly 30% of the total population (1050) for taking a representative sample (proportionately representative)

Total number of employees at operational level:

Manager	=	90
Executive	=	180
Operational staff	=	360
Total	=	1050

COLLECTION OF DATA

Primary data has been collected from operational level personnel of TATA Teleservices Ltd. (TTSL) Jammu by conducting a well designed interview schedule. Secondary data was collected from the various journals, research papers, internet, TATA Teleservices Ltd. (TTSL) head office reports etc.

OBSERVATIONS

A detailed SWOT Analysis has been conducted at TATA Teleservices Limited, Jammu. The analysis covers the human resource development system, self- renewal system and culture system. The Following Strength and Weaknesses were observed:

HUMAN RESOURCE DEVELOPMENT SYSTEM

STRENGTHS

- The T&D Centre is very well equipped with a good library and other facilities. It is headed by a highly motivated group of individuals. A large number of programmes are conducted and training is considered an important function in the company.
- Manpower requirements are worked out by the department and divisions in advance.

- Recruitment has been made nerd systematic and uniform through centralization and is carried out by the concerned divisions.
- Top managers have demonstrated their commitment to search talent for the company and allot adequate time for this purpose.
- There is increasing stress on developing internal talent to take on new responsibilities.
- The company's staff ideally is characterized as young in age, energetic, dynamic, and adaptive, and customer sensitive.
- This employee profile is ensured by the recruitment strategies.

WEAKNESSES

The following lacunae were seen in relation to this system:

- The company has not carried out any long-term manpower planning exercise.
- Recruitment is done mainly on the basis of interviews, psychological tests and other devices are not used.
- Career planning and succession planning have not been given the much needed attention

SELF-RENEWAL SYSTEM

STRENGTHS

The company has demonstrated its commitment to the development of the self-renewal function by sending a large number of employees to programmes conducted by the Indian Society for Applied Behavioral Sciences (ISABS). Periodical surveys on organizational culture and climate have also been undertaken.

WEAKNESSES

The following weaknesses wee identified:

- No work has been done on organisational development (OD) although the company recomposed teemed for it.
- The results of surveys done so far have not been used for designing relevant interventions.
- Attention has not been given to the development of OD competencies of the human resource development (HRD) staff.

CULTURE SYSTEM

The company has a healthy culture and a developmental climate.

STRENGTHS

The company has a high level of trust and openness, family spirit, learning culture, quality service orientation, excellent crisis management, emphasis on initiative and creativity.

WEAKNESSES

The following are the weaknesses are the Culture System at TATA Teleservices Limited, Jammu:

- Low internal cooperation and collaboration
- Very low empowerment of the staff
- Inadequate reward system
- Inadequate dissemination and differing interpretation of personnel policies thought they are intrinsically sound.

DATA ANALYSIS AND INTERPRETATION

The data collected has been analyzed by simple descriptive analysis and application of multiple correlations and multiple regressions with respect to training and job satisfaction parameters.

TABLE 1: DESCRIPTIVE STATISTICS FOR TRAINING

S.NO.	VARIABLES	MEAN VALUE
1	Training programmes helps in Individual development.	4
2	Induction training is given adequate importance.	2.93
3	Induction training is periodically evaluated and implemented.	3.0925
4	Employees are helped to acquire technical knowledge and skills through training.	3.2975
5	There is an adequate emphasis on the developing managerial capabilities of management staff through training in human skills.	2.61
6	Human relation competencies are adequately developing this organization through training in human skills.	3.4425
7	Training of worker is given due importance in this programmes.	3.4525
8	Those who are sponsored for training programmes take the training they need.	3.325
9	Employee is responsible for training programmes on the basis of carefully identified development needs.	2.87
10	Employee in this organization participates in determining the training they need.	2.04
11	Employees sponsored for training go with a clear understanding of the knowledge and skills they expected to acquire from training.	2.955
12	The human resource development department conduct briefing and debriefing session for employee sponsored for training	2.8175
13	In-company programs are handled by competent faculty.	2.9075
14	The quality if in-company programmes in this organization is excellent.	2.4075
15	Senior line manager are eager to help their juniors develop through training.	2.15
16	Employees returning from training are given adequate free time to reflect and plan improvement in the organization	1.78
17	Line manager provide the right kind of climate to implement new ideas and methods acquired by their junior through training.	1.9275
18	Line manager in this organization utilize and benefit from training programme.	2.605
19	External training programmes are carefully chosen after collecting enough information about their quality and suitability.	2.3975
20	There is a designed and widely shared training policy in the company.	2.4525

TABLE 2: DESCRIPTIVE STATISTICS OF JOB SATISFACTION

S.NO.	VARIABLES	MEAN VALUE
1	My job is appreciated.	2.26
2	I am provided with all resources to perform	1.9475
3	The working conditions are good and safe.	1.825
4	I feel stress in my work.	2.74
5	I like my job.	1.975
6	I am recognized as individuals.	1.9
7	I get support and team work from other department in the company.	0.075
8	I understand the company's objective and try to achieve the same.	3.0475
9	The mission/purpose of the company makes me feel that my job is important.	2.1075
10	The department formed with clear-cut goal/tasks to be achieved by the team member.	3.315
11	The reporting structure is very easy and clear between my supervisor and me.	3.79
12	My senior clearly defines my job responsibilities.	1.23
13	My senior communicates to me the areas of improvement in my job.	1.23
14	My senior is objective, in terms of tasks assigned and outcomes observed, while evaluating my feedback.	2.6025
15	My senior, or colleagues at work, seems to care about me as a person.	2.57
16	The company makes efforts to identify my strengths and weaknesses.	3.03
17	The organization views its employees as assets.	2.18
18	I get an opportunity to do innovative things at work.	1.9125
19	My views and participation are valued.	1.3875
20	In this organization tasks performed by an individual's assessed with reference to ones experience and expertise	0.5775
21	The organization structure facilitates teamwork, which enhances effective accomplishment of tasks.	2.1825
22	Management has created open and comfortable work environments.	2.89
23	People who are hard working and result oriented are praised and rewarded in this organization.	1.7675
24	The compensation paid in this organization is commensurate to the responsibly shouldered.	0.645
25	The compensation is satisfactorily reviewed from time to time.	2.2
26	The work accomplished teams is periodically evaluated to cheek its effectiveness.	2.6275
27	In this organization the inter-departmental communication is effective and reliable.	2.335
28	The organization gives adequate paid leave.	2.3875
29	The suffusions scheme provided by the organization helps in motivating employees	0.24
30	The suggestion scheme provided by the organization helps in the welfare of the employees and benefits the organization.	1.935
31	I am satisfied with the gratuity policy adopted by the company	1.135
32	Management is flexible and understands the importance of balancing my work and personal life.	1.945
33	I feel secure about my job.	2.31
34	My organization shows respect for a diverse range of onions ideas and people.	0.5925
35	I am accountable only to my boss.	1.72
36	Which qualities you like in your senior, please tick the desirable option.	2.2125
37	He/she practice the standards by setting personnel example	2.6925
38	He/she communicates effectively, open minded and trust working.	3.91
39	Does not hide any information pertaining to the department or the task I am involved in.	4
40	Makes himself/herself easily assessable to discuss issues pertaining to our job and personal needs	4
41	He/she is a constant source of inspiration to the entire team member	4
42	Please rate the following, as per the preference level where 1is least preferred 4 is most preferred. (Rate from 1 to 4)	4
43	If the company regularly conduct cultural activation.	1.7
44	If the company takes care of employees transportation problem	3.6775
45	If the company contribute towards the employees child education scheme.	3.1875
46	If the company remembers your birthday and anniversary.	1.66
47	I can enjoy my late setting if (please tick the desired one)	1.045
48	It is for the completion of the work.	3.445
49	It provides extra money.	2.2
50	It provides food and snacks	2.15
51	It provides compensation allowance	1.23

TABLE 3: DESCRIPTIVE STATISTICS OF TRAINING AND JOB SATISFACTION STATISTICS

		Training	Job Satisfaction
N	Valid	20	51
	Missing	31	0
Mean		2.7740	2.2312
Std. Deviation		.57297	1.00720
Variance		.328	1.014
Skewness		.138	.027
Std. Error of Skewness		.512	.333

TABLE 4: CORRELATION BETWEEN TRAINING AND JOB SATISFACTION

Significance value of 0.656 as shown in the Table No. 4 shows a high correlation between the training given to the employees and their level of job satisfaction.

CORRELATIONS

		trg	js
trg	Pearson Correlation	1	.656**
	Sig. (2-tailed)		.000
	N	400	400
js	Pearson Correlation	.656**	1
	Sig. (2-tailed)	.000	
	N	400	400

**. Correlation is significant at the 0.01 level (2-tailed).

MULTIPLE CORRELATIONS

Further the analysis has been done by applying Multiple Correlation between the various factors of Training Questionnaire identified as:

Factor 1: Importance of Training for Individual development,
Factor 2: Skills impartment through training,
Factor 3: Importance of Training Need Analysis
Factor 4: Conduction of Training Programmes
Factor5: Implementation of Training

TABLE 5: FACTORS

Factor 1	**Importance of Training for Individual Development**
1	Training programmes helps in Individual development
2	Induction training is given adequate importance
3	Induction training is periodically evaluated and implemented
Factor 2	**Skills Impartment Through Training**
1	Employees are helped to acquire technical knowledge and skills through training
2	There is an adequate emphasis on the developing managerial capabilities of management staff through training in human skills
3	Human relation competencies are adequately developing this organization through training in human skills
4	Training of worker is given due importance in this programmes
Factor 3	**Importance of Training Need Analysis**
1	Those who are sponsored for training programmes take the training they need
2	Employee is responsible for training programmes on the basis of carefully identified development needs
3	Employee in this organization participates in determining the training they need
Factor 4	**Conduction of Training Programme**
1	Employees sponsored for training go with a clear understanding of the knowledge and skills they expected to acquire from training
2	The human resource development department conduct briefing and debriefing session for employee sponsored for training
3	In-company programs are handled by competent faculty
4	The quality if in-company programmes in this organization is excellent.
5	Senior line manager are eager to help their juniors develop through training
Factor 5	**Execution of Training Imparted**
1	Employees returning from training are given adequate free time to reflect and plan improvement in the organization
2	Line manager provide the right kind of climate to implement new ideas and methods acquired by their junior through training
3	Line manager in this organization utilize and benefit from training programme
4	External training programmes are carefully chosen after collecting enough information about their quality and suitability
5	There is a designed and widely shared training policy in the company

TABLE 6: CORRELATION STATISTICS

	Factor 1	*Factor 2*	*Factor 3*	*Factor 4*	*Factor 5*
Importance of Training for Individual Development (F1)	1				
Skills Impartment through Training(F2)	0.697	1			
Importance of Training Need Analysis (F3)	0.29	0.421	1		
Conduction of Training Programmes (F4)	0.35	0.462	0.864	1	
Implementation of Training Imparted (F5)	0.542	0.54	0.783	0.885	1

The results except for the "Implementation of Training Imparted shows a low correlation between the factors that means that these factors are not correlated to each other. The results of multiple regressions have given R^2 as nearing to 50% of Variance.

REGRESSION BETWEEN TRANING AND SATISFACTION

The analysis has been further done by applying regression analysis. The results show a significant difference at .01 and .05 level of significance. This shows that training at Tata Tele Services has to be improved in all the factors.

TABLE 8: REGRESSION BETWEEN TRANING AND SATISFACTION

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656[a]	.431	.429	.16643

a. Predictors: (Constant), trg

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.335	1	8.335	300.936	.000[a]
	Residual	11.024	398	.028		
	Total	19.359	399			

a. Predictors: (Constant), trg

b. Dependent Variable: js

COEFFICIENTS[A]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.479	.048		31.104	.000
	Trg	.293	.017	.656	17.348	.000

a. Dependent Variable: js

MULTIPLE REGRESSIONS

The relationship between Training and Job Satisfaction has been studied by applying multiple regressions. The results show that the skill impartment through training is not of satisfactory level. The rest of the factors are correlated at both .05 and .01 levels of significance. This calls for the development of need based training programmes for the managers, executives and the operational staff.

TABLE 9: MULTIPLE REGRESSIONS

MODEL SUMMARY[E]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671[a]	.450	.448	.16362
2	.685[b]	.469	.466	.16089
3	.692[c]	.479	.475	.15965
4	.696[d]	.485	.480	.15890

a. Predictors: (Constant), f5

b. Predictors: (Constant), f5, f1

c. Predictors: (Constant), f5, f1, f2

d. Predictors: (Constant), f5, f1, f2, f4

e. Dependent Variable: js

ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.704	1	8.704	325.143	.000[a]
	Residual	10.655	398	.027		
	Total	19.359	399			
2	Regression	9.082	2	4.541	175.426	.000[b]
	Residual	10.277	397	.026		
	Total	19.359	399			
3	Regression	9.266	3	3.089	121.180	.000[c]
	Residual	10.093	396	.025		
	Total	19.359	399			
4	Regression	9.386	4	2.346	92.936	.000[d]
	Residual	9.973	395	.025		
	Total	19.359	399			

a. Predictors: (Constant), f5

b. Predictors: (Constant), f5, f1

c. Predictors: (Constant), f5, f1, f2

d. Predictors: (Constant), f5, f1, f2, f4

MODEL SUMMARY[E]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671[a]	.450	.448	.16362
2	.685[b]	.469	.466	.16089
3	.692[c]	.479	.475	.15965
4	.696[d]	.485	.480	.15890

a. Predictors: (Constant), f5

b. Predictors: (Constant), f5, f1

c. Predictors: (Constant), f5, f1, f2

d. Predictors: (Constant), f5, f1, f2, f4

e. Dependent Variable: js

CONCLUSION

Every business exists in a given environment, which provides opportunities and challenges. Building organizational capability requires specific and integrated strategy which includes development of a framework for organizational and individual development. This includes the integration of employee relations, compensation and benefits, organizational development, performance management, human resource development, manpower planning and procurement and labor management relation. Every human resource process, tool or technology should leverage talent to realize the organizational vision. Training is primarily given to the individual for improving his performance on his current job.

Training at TATA Teleservices Limited, Jammu is given top priority by the management. A training calendar is prepared every year, the target group, the facility and the duration of training is scheduled in advance. The training needs are identified from the performance appraisal, the annual (technical) training needs assessment and through individual request for training.

TTSL is definitely the leading organization in the Telecommunication Sector. It is spreading its roots to the entire world slowly but steadily. To survive in such tough competition it is required to have upper edge over other sectors. The main recommendations on the basis of the study on training are as follows:

- Develop a training policy in accordance with the business plans of the company, and make to every employee in the organization.
- Work closely with the line managers to determine training needs.
- All training sponsorship should be entirely need-based.
- Make it mandatory for every person attending training to give a presentation and submit an action plan on how input from training can be implemented. Make the person accountable for his/her action plan and conduct periodic reviews to evaluate the progress made.
- Identification of broad career path for employees.
- Providing career-related information.
- Career counseling.
- Succession planning for all strategic roles.

Apart from these recommendations a job rotation policy in tune with the business goals of the organization is strongly suggested. This would lead to multiskilling and increase the commitment level of the employees, resulting in better production. It is observed that delegation is propagated by all top-level managers in the company; there are 30 different types of meetings conducted in the company, which are meant to serve as participant forums. Also, many employees are sent for inter-unit visit so that they can learn how various functions are performed in other units. The Human Resource Development department has prepared a manual of personnel policies which is given to all the managers. It is an open document, which is accessible to all employees. Concise manual providing information about salaries and perk is also under preparation. This suggests the need for training in TATA Tele Services.

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WOMEN EMPOWERMENT AND COOPERATIVES- A COMPARATIVE STUDY OF GENERAL COOPERATIVES AND FISHERIES COOPERATIVES

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ABSTRACT
This paper attempts to analyze the role and contribution of cooperatives in empowering the women. Gender affects women's participation in development because the heavy burden of domestic and reproductive work, particularly childcare, is often an obstacle to women's participation in employment and programmes and their access to services. Fisherwomen are the part of the poor and marginalized section in India. They have been struggling to have betterment in their socio, economic and cultural status. The cooperative societies, general and specific, have been playing a key role in empowering the fisherwomen in the coastal district of Dakshina Kannada. As we are aware, the cooperatives set ultimate goals in creating employment without exploitation, distribution with a sense of responsibility to the consumer, production that allows the farmers a fair return on produce and capital does not demand unreasonable return on investments and empowering women both economically and socially. Poor women in particular are seriously constrained in their capacity to contribute to family income and to act as change agents by the impact of gender roles and stereotypes. Poor women particularly suffer from the lack of attention and low priority given to women's needs as a result of women's low level of participation in decision-making. The women's movement, a wide-spread network of Non-Government Organizations and women cooperatives which have strong grass-roots presence and deep insight into women's concerns have contributed in inspiring initiatives for the empowerment of women. The importance of fishery cooperatives lies in rendering economic assistance to the dispersed and disorganized fisherwomen, whose dependence on merchants and middlemen is even greater than that of those following agricultural pursuits. Economic empowerment of fisherwomen is possible by providing credit for some income generating activities. Among fisherwomen mobility is limited. Hence they need some eco-friendly technologies, which could provide additional income to the family. There are enough evidences to show that if enough opportunities are provided, women can contribute substantially for the national economy. The basic goal in the development of women is to make them self-reliant participants for improving their conditions. Against this background, the paper attempts to do a comparative analysis between the contribution of general women cooperative societies and fisherwomen cooperatives towards empowerment of women. An empirical study is conducted by extracting information from members of four general women cooperatives and four fisherwomen cooperatives by using structured questionnaire. The data is analysed using relevant statistical tools. The study is based on an empirical investigation of the problem in the context of Dakshina Kannada district.

KEYWORDS
Women empowerment, Cooperatives, Gender.

INTRODUCTION
India stands second in the world in total fish production, after China, with a production of 7.3 mn tonnes in 2007 (*Source*: Fishstat, FAO, 2009). The annual per capita consumption of fish in India was estimated at 4.8 kg in 2003. Fish is especially important for the economically weaker sections of the population, providing a cheap and accessible source of protein and essential micronutrients. A large section of the population also depends on fish resources (both marine and inland) for their livelihoods, employment and income. Currently, 14 mn people are estimated to be employed in the fisheries sector, which contributes 1.07 per cent of India's gross domestic product. Fish vending is a traditional occupation that has been a means of livelihood for thousands in India, with the majority of fish vendors being women. The nature of the product handled by women fish vendors causes a certain stigma that fishermen themselves do not generally face. Unlike men, whose labour is largely confined to the sea, river or lake, fish vendors have to travel with their product to market places. They have to interact with the public and the law. In the process, they are often forced to deal with inbred prejudices and problems of various kinds.

CONCEPT OF EMPOWERMENT
The word 'power' derives from Latin and means 'to be able'. 'Empower' in return means to render a person able by giving power, strength or competence. In the particular context of our analysis, the word refers to enabling the fisherwomen to exercise her right to lead a happy life. It does not mean educating a handful of women and rewarding them with administrative positions in developmental programmes. It means preparing every women to actively participate in the decision making process for a better livelihood. Empowerment is an active multidimensional process which should enable individuals to realize their full potential in all spheres of life. This power has to be acquired, sustained and exercised. Nina Wallerstein and Edward Bernstein have specifically referred to empowerment as a social action process that promotes participating organization, communities, and individuals in gaining control over their lives in the community and larger society. With this perspective, empowerment is not characterized as achieving power to dominate others, but rather power to act with others to effect change. They have given particular emphasis to participation in groups as a means of promoting change at the three levels –individual, organizational, and community[1].

COOPERATIVES
Much of the success of the cooperative societies is, indeed, due to the fact that they do succeed in enlisting the wholehearted cooperation of their members. It is, therefore, not a difference in regard to the laws in accordance with which they are registered which marks off a cooperative society from a stock company or a partnership; it is not the difference in regard to the limitation of share interest, the payment of dividend, the withdrawal of capital or according of voting power that vitally distinguishes a cooperative society from other trading organizations. The last named are merely methods adopted by certain types of society to secure greater equity of treatment among the members of the societies; what makes an undertaking, cooperative is the deliberate evaluation of cooperation to the status of a principle of organization to be fostered and employed for the purposes of realizing those objects for attaining of which the undertaking has been called into being[2].

[1] Andal N, (2002), 'Women and Indian Society- Options and Constraints', *Rawat Publications, Jaipur and New Delhi*, p.234
[2] Hall F and Watkins W.P., (1937), 'Cooperation', *Cooperative Union, Manchester*

This underlines the basic philosophy of cooperativism[3]. The idea of replacing economic competition by the mutual cooperation of producers and/or consumers was central to the nineteenth-century socialist tradition, particularly Robert Owen and his followers. In principle all economic activities related to the processes of production, distribution, and exchange might be included in a scheme for a 'Co-operative Commonwealth', implying the total abolition of capitalist industrial ownership and management, and the establishment of a network of voluntary associations owned and run by groups of workers or (in the case of consumer cooperatives) by consumers. It is one of the key principles of economic cooperation that net earnings are redistributed directly (usually on an annual basis) to the 'members' of the association or undertaking, and do not serve as profit for a separate group of owners or investors. In practice, cooperatives of many kinds have emerged and flourished across the world: in farming, industry, and the service sector, and in the form of consumer societies and housing associations. Keith Taylor opines that cooperatives have been more common and in many respects more successful in capitalist societies (including the United States) than under systems of socialist economic planning. Yet for many democratic socialists and anarchists the cooperative principle, linked to the ideal of workers' control, remains an important starting-point for building a vision of an alternative society to both capitalism and state socialism.

TABLE 1: SHOWING SHARE OF COOPERATIVES IN NATIONAL ECONOMY (%) IN INDIA

Particulars	1996	2001	2002
Rural n/w(villages covered)	99.5	100	100
Agricultural credit disbursed	60.05	49.3	46.15
Fertilizer disbursed	30.35	35.2	36.22
Fertilizer production nutrient	18.64	23.5	27.65
Sugar produced	56.8	59.73	59
Capacity utilization of sugar mills	131	114.3	111.5
Wheat procurement	28.5	28.9	31.8
Animal feed production/ supply	-	50	50
Retail fair price shops (rural+urban)	20	21	22
Milk procurement to total production	6.4	6.9	7.44
Milk procurement to marketable surplus	18.26	10.5	10.5
Ice-cream manufacture	-	45	45
Oil marketed	50	50	50
Spindle age in cooperatives	12	10	9.5
Cotton marketed/ procurement	72.9	59.5	NA
Cotton yarn/ fabrics production	16.3	22	23
Fishermen in cooperatives	21	21	21
Rubber processed and marketed	-	-	95
Areca nut processed and Marketed	-	-	50
Direct employment generated (millions)	-	-	1.07
Self-employment generated for persons(millions)	12.5	14.1	14.39

Source: National resource centre, NCUI

RURAL, TRIBAL WOMEN IN INDIA

Organizations have been promoting women SHGs to encourage the participation of women in development, to disseminate information, engage them in income generation programs, and help themselves in socio-economic empowerment, all aimed at rural transformation. Most rural women carry what is usually called a triple handicap as women, as rural people and as members of the scheduled castes and tribes. Further, Indian women's lives are circumscribed by what can be termed as the "five Ps". Patriarchy, productive resources access inadequacy, poverty, promotion advancement insufficiency and powerlessness. At the core of this circle of denial and discrimination in their rightful entitlements of life, education and training for a scientific technological world, health and social security, lies the gross violation of the human rights of women embodied in invisible structural and outward forms of violence perpetrated by triple concentric circles of the family, community and society at large. Understandably, talking about rural transformation without addressing these core issues would only amount to lip service to society[4].

EDUCATION

Looking at the Indian reality, it would be an understanding to say that boys and girls don't have the same access to education. According to the National Human Development Report 2001, the literacy rate of women is 54.03% and for men it is 75.64%. If women don't have access to education, their job opportunities and their economic contribution are also constrained, reinforcing the concept of the male breadwinner and women dependency. Needless to say the old social model has failed miserably. The table below shows the female literacy rate of the various districts of Karnataka as per the 2001 census. Dakshina Kannada district is in the second rank.

TABLE 2: SHOWING FEMALE LITERACY RATE

District	1991	2001		District	1991	2001
Bagalkot	37.13	43.56		Gulbarga	24.49	37.90
Bangalore Urban	68.81	77.48		Hassan	44.90	59.00
Bangalore rural	38.15	54.99		Haveri	43.28	57.37
Belgaum	38.69	52.32		Kodagu	61.22	72.26
Bellary	32.24	45.28		Kolar	37.75	52.23
Bidar	30.53	48.81		Koppal	22.78	39.61
Bijapur	41.57	43.47		Mandya	36.70	51.53
Chamrajnagar	28.60	42.48		Mysore	42.60	55.81
Chikmaglur	51.31	64.01		Raichur	21.70	35.93
Chitradurga	39.38	53.78		Shimoga	54.33	66.88
Dakshina Kannada	68.84	77.21		Tumkur	41.93	56.94
Davangere	44.41	58.04		Udupi	66.64	75.19
Dharwad	50.41	61.92		Uttar Kannada	56.77	68.47
Gadag	39.68	52.52		**State**	**44.34**	**56.87**

Source: Population census 1991, 2001 from Human Development Report, (2005), Government *of Karnataka, Bangalore,*
Report of the working group on empowerment of women for the 11th plan- Ministry of women and Child development

INSTITUTION BUILDING PROCESS OF A FISHERWOMEN SOCIETY

Rural women in our country have always contributed substantially to productivity and rural economy as they are often called as the invisible farmer in the agrarian sector. Yet their condition remains poor. Women in the traditional fisheries sector are no exception to this. The importance of fishery cooperatives lies in rendering economic assistance to the dispersed and disorganized fishermen, whose dependence on merchants and middlemen is even greater than that of those following agricultural pursuits

[3] The term cooperativism is used to denote the cooperative philosophy and system. It is commonly accepted that the underlying philosophy has made cooperatives, ethically higher form of enterprises with the power to remodel the whole society and to turn the users into owners of the main part of production. (Cooperative quarterly journal)
[4] Jawahar David, Opcit, p.16

FISHING INDUSTRY IN KARNATAKA

Karnataka is a state of diverse cultures, languages and faiths and the economic and social scenario within the state in many ways, minors the scenario prevalent in the country itself. It is one of the maritime states of India having a coast line of about 300 kms. The continental shelf area for the state is 25,000 sq kms. And the brackish water potential of 8000 hectares. The state has about 26 fish landing centers of which 12 are in undivided Dakshina Kannada.

FISHING INDUSTRY IN DAKSHINA KANNADA

In Dakshina Kannada district Sea fishing in one of the main occupations. It also serves as an important source of nutritious food. The coastal area of the district is about 42 kms in length. Dakshina Kannada district includes Mangalore, Bantwal, Puttur, Beltangadi and Sulia taluk. Therefore forms an important part in the development of the district. In this district there are about 21 fishing villages, housing 24,099 fishermen in which 11,573 are actively engaged in fisheries occupation. In the district there are 22 fisheries cooperative societies out of which 4 are women cooperative societies.[5]

BACKGROUND OF THE STUDY

The present study has certain theoretical concerns. They, being the issue of poverty alleviation, gender disparities, and development in the context of empowerment. The development discourse in India and elsewhere is huge, complex and multidimensional. This study is a comparative analysis of the contribution of fisherwomen cooperatives and general women cooperatives towards the empowerment of the women. In the background of these theoretical concerns, the study is on the basis of an empirical investigation of the problem in the context of Dakshina Kannada district of coastal Karnataka.

Interestingly, this district has a remarkable history of the process of modernization and development finally culminating in the formation of a very distinct variety of commercial capitalism. Alongside the development of a very distinct kind of modernization, this district also has witnessed a wide range of ideological and cultural developments of far reaching implications. However this does not mean to say that the crucial problems that confront Indian Society today are not present here. In fact, like any other part of India, Dakshina Kannada district also face the challenges of poverty, discrimination, inequality and injustice. Consequently, the state, the financial and development agencies, and third sector organizations have started addressing these issues in a major way. As a result we see a widespread and active cooperative movement in this district.

REVIEW OF RELATED LITERATURE

S.L.Goel and B.B.Goel in their study on 'Apex Cooperative federations' (1979) in the state of Haryana discern that the spirit of motivation and morale is missing among the employees. They enumerated a number of factors which were responsible for poor morale such as lack of effective leadership, lack of participation in the decision making process, lack of team spirit, poor conditions of service, lack of effective communication, lack of sound personnel policy and personnel planning, absence of job enrichment, absence of delegation and decentralisation, absence of identity with the goals of the organization.etc.

B.B. Goel's 'Cooperative member education Programme: Role of cooperative Unions- A case study', NCDC bulletin, Vol XVI, No.3, Aug 1981, is regarding study on member education. Brij Bhushan Goel identified that inadequate trained personnel, lack of coordination by business federations, insufficiency and inadequacy of finance were the stumbling blocks in retreading the implementation of member education programmes.

V.M Rao's 'Empowering Rural Women' (2004) lays stress on participation in political structures and formal decision making and on the ability to obtain income that enables participation in economic decision making. It also identifies the crutial variables of empowerment as awareness, education, independence, wealth, property and self confidence.

J.M.Owasdi's 'Managemenet of Non Governmental Organizations: Towards a Developed Civil Society (2006)', emphasizes on valuing women's work and equal rights and argues that it is essential that women be able to challenge the restrictive structures imposed on them.

Ranga Reddy's 'Empowerment of women and Ecological Development (2002)' consists of selected papers presented at the seminar on 'Empowerment of Women and Ecological Development'. Empowerment is seen as the ability to direct and control one's own life. The objective of women empowerment will be to create an environment where women can freely exercise their rights both within and outside the house as equal partners along with men.

Kamta Prasad's 'NGO's and Socio-Economic Development Opportunities (2000)' focuses on upliftment of the weaker sections of the society and highlights the immense potential of NGO's in the development process.

Krishna Bhowmik's 'Indian Women: The Ushering of a New Dawn (2006)' emerges out of an in-depth study of their various roles, their marginalization, the issues and concerns that move them, their multiple roles, women's role on Human Resource Development, importance of women's rights, importance of women's education and importance of women in economic development.

OBJECTIVES OF THE STUDY

1. To study the ways in which fisher women cooperatives and general women cooperatives have been attempting to overcome poverty and empower women.
2. To compare the contribution of fisherwomen cooperative societies and general women cooperatives towards empowerment of women members in Dakshina Kannada district of Coastal Karnataka
3. To analyse the difficulties in the management and implementation of women empowerment programmes and suggest measures for improvement

METHODOLOGY

Four fisherwomen cooperatives and four general women cooperatives are considered for the study. The following table indicates the details of the cooperatives considered for the study

TABLE 3: SHOWING THE FISHERWOMEN COOPERATIVE SOCIETIES IN DAKSHINA KANNADA

Sl.No.	Name of the cooperative Society	No. of members	Sample size
1	Mulki fisherwomen cooperative society	168	20
2	Mangalore Bengre fisherwomen cooperative society	615	62
3	Bolar fisherwomen cooperative society	470	47
4	Ullala fisherwomen cooperative society	802	80
	Total	2055	209

TABLE 4: SHOWING FOUR GENERAL WOMEN COOPERATIVE SOCIETIES CONSIDERED FOR THE STUDY

Sl.No.	Name of the cooperative Society	No. of members	Sample size
1	Ujire Women vividodhesha cooperative society,	2458	100
2	Puttur Women multipurpose cooperative society	955	50
3	Subramanya Women cooperative society	3000	150
4	Vamanjoor Women cooperative society	500	50
	Total	6913	350

The study consists of two types of investigation. The first type consists of study of vast variety of secondary resources covering issues like Gender inequality, empowerment, development, poverty alleviation and cooperative movement. The second type is based on a comprehensive field survey. A structured

[5] Dehadrai P V,(1992), 'Women at the centre stage for socio-economic change in fishing community', *Women Empowerment in fisheries, Narendra Publishing House, Delhi,* pp17-22

questionnaire was prepared, to illicit information from the members of the Cooperative societies. The investigator covered 209 members (10% of the population) of the fisherwomen cooperatives and 350 members (5% of the population) of the general women cooperatives. The researcher has followed convenient sampling method. The researcher was able to engage in long and fruitful discussions and deliberations among a wide variety of people engaged at different levels in the cooperative movement. The data so collected is analysed using chi square test with a 5% level of significance. The chi-square is one of the most popular statistics because it is easy to calculate and interpret. There are two kinds of chi-square tests. The first is called a one-way analysis, and the second is called a two-way analysis. The purpose of both is to determine whether the observed frequencies (counts) markedly differ from the frequencies that we would expect by chance. The observed cell frequencies are organized in rows and columns like a spreadsheet. This table of observed cell frequencies is called a contingency table, and the chi-square test if part of a contingency table analysis.

LIMITATIONS OF THE STUDY

1. Data is collected having in mind the limited time available
2. Hesitation of the members to reveal certain information due to fear that it would affect their membership in the society.

ANALYSIS AND INTERPRETATION

TABLE 5: SHOWING PROFILE OF THE RESPONDENTS

Indicators	General women cooperatives	Percentage	Fisherwomen cooperatives	Percentage	Chi-square value (X^2)	P Value
Sample size	350		209			
Age					74.608	p<0.001
18-25	30	8.5	7	3.34		
26-35	95	27.14	37	17.7		
36-45	189	54	79	37.79		
Above 45	36	10.28	86	41.14		
Education					19.301	p=0.0017
Illiterate	18	5.14	8	3.82		
Literate	52	14.85	49	23.44		
Primary	65	18.57	52	24.88		
Higher sec	161	46	60	28.7		
Intermed	29	8.28	22	10.54		
Graduatn	25	7.14	18	8.61		
Marital Status					2.964	p=0.567
Married	254	72.57	145	69.37		
Unmarried	41	11.71	21	10.04		
Widowd	37	10.57	28	13.39		
Divorced	1	0.28	2	0.95		
Sepratd	17	4.85	13	6.22		
Type of family					74.623	p<0.001
Nuclear	108	30.85	101	48.32		
Joint	51	14.57	70	33.49		
Extended	191	54.57	38	18.18		
Head of the family					36.504	p<0.001
Self	67	19.14	66	31.57		
Husband	107	30.57	74	35.4		
Father	52	14.85	20	9.56		
Mother	14	4	15	4.85		
Inlaws	40	11.43	21	10.04		
Sister	4	1.14	4	1.91		
Brothr/son	66	18.85	9	4.3		
Deci makr					117.405	p<0.001
Self	61	17.42	92	44		
Husband	102	29.14	20	9.56		
Both	46	13.14	65	31.1		
Sis-inlaw/ inlaws	22	6.28	9	4.3		
Mother	17	4.85	12	5.74		
Father	53	15.14	9	4.3		
Brothr/son	49	14	2	0.95		

Source: Survey data, 2009

1. AGE WISE DISTRIBUTION OF MEMBERS

It is now well established that age plays a crucial role in determining the nature and vitality of any course of action. Scholars point out that the success or failure of any social action depends largely and perhaps exclusively on the age factor. Therefore the question of age assumes significance in the context of the study as it is supposed to reflect the attitude and opinions and involvement in different aspects of women empowerment and the process and policies associated with it. There is very high significance difference between the age of the members of the general women cooperatives and the members of the fisherwomen cooperative societies. This means to say that the type of age distribution among the members of both the societies are quite different.

2. EDUCATION WISE DISTRIBUTION OF THE MEMBERS

Education is considered to be a basic instrument in molding the individual and connecting him/her effectively to the social milieu. Educated citizens are supposed to be the enlightened citizens. It is a well known fact that education in India had remained outside the reach of a large segment of the population. Illiteracy is quoted as one of the prime reasons for most of the problems of our society. Our planners are convinced that eradication of the problem of illiteracy, through better education, would go a long way in solving many of our social, economic and political problems. The p value between the education of the members of the general women cooperatives and members of the fisherwomen cooperatives is 0.0017. This shows that there is high significance difference between the two. Again this means the education level of the members of the women cooperatives and fisherwomen cooperatives is different.

3. MARITAL STATUS OF MEMBERS

Marital status of the members of the women's societies could prove decisive in shaping the nature and extent of their participation in the activities of the group and could influence the role that they assume in the effective functioning of the societies. This is particularly true in a traditionally anchored society like India, where marriage as a social institution tends to inscribe into the life of women certain distinctive kinds of social obligation, economic compulsions and cultural constraints. Consequently, we could see a certain shift in participation and performance of women due to marriage. The chi square table shows that there is no significance difference between the marital status of the members of the general women cooperatives and members of the fisherwomen cooperatives. Maximum members of both the type of cooperatives are married.

4. TYPE OF FAMILY: The chi square table shows that there is very high significance difference between the type of families of the respondents of the general women cooperative and fisherwomen cooperatives.

5. HEAD OF THE FAMILY: The chi square table shows that there is very high significance difference between the head of the family of the respondents of the two types of cooperatives.

6. DECISION MAKERS IN THE FAMILY: The fact that decision making is one of the most important indicators of empowerment cannot possibly be denied. It is the enhancement of decision- making power of empowerment of women that would finally lead to her empowerment. The chi square table shows that there is very high significance difference between the decision makers in the family of the respondents of the two types of cooperatives.

TABLE 6: SHOWING CHANGES ON SOCIOECONOMIC STATUS AFTER JOINING SOCIETY

Impact	General women cooperatives	Percentage	Fisherwomen cooperatives	Percentage	Chi-square value (X^2)	P Value
Sample size	350		209			
Mobility					231.234	p<0.001
Same	74	21.14	182	87.08		
Increasd	226	64.57	27	12.91		
Decreasd	0	0	0	0		
Decoratd	50	14.28	0	0		
Recognition in the family					157.124	p<0.001
Same	147	42	199	95.21		
Increasd	203	58	10	4.78		
Decreasd	0	0	0	0		
Decoratd	0	0	0	0		
Recognition in community					198.64	p<0.001
Same	79	22.57	175	83.73		
Increasd	250	71.42	34	16.26		
Decreasd	0	0	0	0		
Decoratd	21	6	0	0		
Interaction with outsiders					1131.959	p<0.001
Same	93	26.57	160	76.55		
Increasd	257	73.42	49	23.44		
Decreasd	0	0	0	0		
Decoratd	0	0	0	0		
Access to credit sources					174.96	p<0.001
Same	0	0	81	38.75		
Increasd	302	86.28	128	61.24		
Decreasd	0	0	0	0		
Decoratd	48	13.71	0	0		
Asset building					19.15	p<0.001
Same	255	72.85	185	88.5		
Increasd	95	27.14	24	6.85		
Decreasd	0	0	0	0		
Decoratd	0	0	0	0		
Voicing your concern					125.48	p<0.001
Same	256	73.14	205	98.08		
Increasd	94	26.85	4	1.91		
Decreasd	0	0	0	0		
Decoratd	0	0	0	0		
Decision making related to money centered					130.89	p<0.001
Same	108	30.85	169	80.86		
Increasd	242	69.14	40	19.13		
Decreasd	0	0	0	0		
Decoratd	0	0	0	0		

Source: Survey data, 2009

7. MOBILITY: Mobility is perceived to be a very important indicator of women empowerment. It is said that in rural selling most of the women are indirectly 'house arrested' It is popularly believed that they have little opportunity to move out of their household and interact with the outside world. It is in this context the mobility question and impact of women's societies concerning are highlighted and opinions are mobilized to argue that the entry of women's societies to the villages has made a significant impact in this. During the survey, certain popular and recognizable dimensions of mobility were kept in mind in obtaining views and opinions of the respondents. These views and opinions are summarized as follows. The chi square table shows that there is very high significance difference between the mobility of the respondants of the two types of cooperatives

8. RECOGNITION IN THE FAMILY: The chi square table shows that there is very high significance difference between the recognition in family of the respondants of the two types of cooperatives

9. RECOGNITION IN COMMUNITY: The chi square table shows that there is very high significance difference between the recognition in community of the respondents of the two types of cooperatives

10. INTERACTION WITH OUTSIDERS: The chi square table shows that there is very high significance difference between the interactions with the outsiders of the respondents of the two types of cooperatives

11. ACCESS TO CREDIT SOUCES: The chi square table shows that there is very high significance difference between the access to credit sources of the respondents of the two types of cooperatives

12. ASSET BUILDING: Cooperative movement always aspired to build good asset base for the poorer and marginalized sections of the society. It was assumed that with increased asset base socio-economic empowerment be achieved

The chi square table shows that there is very high significance difference between the asset buildings of the respondents of the two types of cooperatives

13. VOICING YOUR CENCERN: The chi square table shows that there is very high significance difference between voicing the concern of the respondents of the two types of cooperatives

14. DECISION MAKING RELATED TO MONEY CENTERED: The chi square table shows that there is very high significance difference between money centered decision making of the respondents of the two types of cooperatives

CONCLUSION AND RECOMMENDATIONS

Co-operative societies are easy to form and have a stable life. Membership is open to all and members have limited liability. There is democratic management based on 'one-man, one vote'. The societies have stable life and they enjoy government patronage.

There is very high significance difference between the general women cooperatives and fisherwomen cooperatives with regards to the parameters taken for the study. The study found that the general women cooperatives were more effective in empowering women compared to the fisherwomen cooperatives.

They suffer from insufficient capital, problems in management and conflict among members. There is lack of motivation in members due to absence of direct reward for individual effort. Excessive government regulation and control may also pose problems for them. Co-operative societies are suitable in protecting exploitation of weaker sections of society and promoting their economic interest. It is ideal where service motive, and not profit, is the priority.

Women cooperative societies are very effective in poverty alleviation and women empowerment. Fisherwomen in particular are very enterprising. The respondent's opinion was that their very survival was difficult without the cooperative society. Drawback of the cooperatives is that they are engaged only in providing credit. The members are also not aware of anything else other than availability of credit. Member awareness is very essential. Since the employees are very less paid, there is lack of enthusiastic people coming forward to take up the responsibilities. Members do not take part actively in the activities of the society due to lack of leisure time. Societies need to identify some donors and think of increasing their income so that they are financially strengthened. Service providers aiming at sustainability cannot rely on donor money and instead they have to generate their own operational income from provision of efficient services and setting the price for their services approximately[6].

All the efforts and plans of the government in the direction of poverty alleviation and women empowerment can reach the grass root and become effective only through the cooperatives. Therefore these cooperatives have to be financially strengthened and empowered to function effectively.

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LIQUIDITY MANAGEMENT IN MAA FRUITS PVT. LTD.

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ABSTRACT
The ultimate objective of any firm is to maximize the profit but increasing the profit at the cost of liquidity can bring serious problems too. A company having a proper set of liquidity management policies and procedure will improve profits, reduce the risk of corporate failure and significantly improve its chances of survival. Effective liquidity management will enable organization to derive maximum benefits at minimum cost. This study examines how liquidity is managed at MAA Fruits Pvt Limited, for which required ratios that indicate the liquidity position were calculated. Statistical techniques like standard deviation, coefficient of variation, Spearman's correlation coefficient,'t' test and Motaal's test have been employed in order to examine the liquidity position and test the relationship between liquidity and profitability. The study result show that the company enjoyed sound liquidity during the study period 2002-2006 but relationship between liquidity and profitability are statistically not significant.

KEY WORDS
liquidity, profitability, measurement, current assets, current liabilities.

INTRODUCTION
The importance of working capital management is reflected in the fact that financial managers spend a great deal of time in managing current assets and current liabilities like, arranging short term financing, negotiating favorable credit term, controlling the movement of cash, administering of account receivable and monitoring investments in inventories etc. Decisions concerning the areas play a vital role in maximizing overall value of the firm. This critical role can be enunciated by examining the flow of resources through the firm.

The ultimate objective of any firm is to maximize the profit. But, preserving the liquidity of the firm is an important objective too. The problem is that increasing profit at the cost of liquidity can bring serious problems to the firm. Finance managers play a lot a attention to the measurement and management of corporate liquidity.

Efficient working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short term obligations on one hand (Elley,2004). Many surveys have indicated the managers spend considerable time on day to day problems that involve working capital decisions. One reason for this that current assets are short-lived investments that are continually being converted into other asset types(Rao 1989).

Liquidity in general refers to the financial strength of an organization. The term financial relates to two major sources of finance. These sources are categorized as internal sources and external sources of an organization. 'Strength' reveals the ability to meet obligations when they become due. Liquidity management in general has three dimensions.

- Dimension I is concerned with the formulation of policies with regard to risk, liquidity and return, keeping in view the goals and responsibilities of the firm.
- Dimension II is concerned with the decisions about the level and the composition of current assets.
- Dimension III is concerned with the decisions about the level and the composition of current liabilities.

Liquidity is the stage where assets may be converted into cash without losses. There is a need to balance between earning adequate returns, and cover the financial and business risk. IT also enables a company to make a rapid shift in its direction, in accordance

Liquidity in general refers to the financial strength of an organization. The term financial relates to two major sources of finance. These sources are categorized as internal sources and external sources of an organization. 'Strength' reveals the ability to meet obligations with the market demand. In order to measure the liquidity position of **MAA FRUITS INDIA Pvt. Ltd.,** during the period 2002 - 03 to 2005 – 06 certain important ratios have been computed.

NEED FOR THE STUDY
Liquidity management has become a basic and broad aspect of judging the performance of a corporate entity. It is, therefore, essential to maintain an adequate degree of liquidity for smooth running of the business operation. The liquidity should be neither excessive nor inadequate.

Excessive liquidity indicates accumulation of ideal funds which do not earn any profit for the business and inadequate liquidity not only adversely affects the credit worthiness of the firm but also interrupts the production process and hampers its earning capacity to a great extent.

REVIEW OF LITERATURE
The term 'Liquidity' refers to the ability of a firm to meet its obligations in the short run usually one year. The Liquidity resources of a firm may be kept in various forms: cash in hand and cash at bank in current assets, reserve drawing power under a cash credit or overdraft arrangement and short term deposits. Cash balances in current account provide the highest degree of liquidity.

According Hrishikes Bhattacharya, the term liquidity may be defined as "a firm can maintain liquidity if it holds assets that could be shifted that could be shifted or sold quickly with minimum transaction cost and loss in value. The test of liquidity is the ability of the firm to meet its cash obligations when they are due and to exploit sudden opportunities in the market.

According to Solomon, E and Springle J. Whenever one speaks of a firm's liquidity, he tries to measure firm's ability to meet expected and unexpected cash requirements, expand its assets, reduce its liabilities or cover any operating losses.

Teresa A John's paper on accounting measures of corporate liquidity, leverage and costs of financial distress examines the relationship of the costs financial distress to the level of corporate liability maintained and leverage. Overall study results show that there is evidence of consistency with the hypnotized positive relationship between corporate liquidity and financial distress costs, and the negative relationship between corporate leverage and financial distress costs.

Abuzar M.A.Eljelly (2004) study examines the relationship between profitability and liquidity, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock companies in Saudhi Arabia. The study found significant negative relationship between the firm's profitability and its liquidity level, as measured by the current ratio.

Shin and Soenen (1998) highlighted that efficient working capital management was very important for creating value for the shareholders. They found a strong negative relationship between lengths of the firm's net trading cycle and its profitability. In addition, shorter net trade cycles were associated with higher risk adjusted stock returns.

Smith and Bengemann(1997) study results showed that a traditional working capital leverage ratio, current liabilities divided fund flow, displayed the greatest association with return on investment. Well known liquidity concepts such as the current and quick ratios registered insufficient association whilst only one of the newer working capital concepts, the comprehensive liquidity index, indicated significant relationship with return on assets.

RESEARCH METHODOLOGY
The information required for this study has been collected from the annual reports of MAA **FRUITS INDIA Pvt., Ltd.,** from **2002-2003 to 2005-2006**. For the purpose of analysis the efficiency of liquidity management of **MAA FRUITS**, the technique of ratio analysis, Motaal's comprehensive rank test, statistical techniques like averages, standard deviation, co-efficient variations, Spearman's rank correlation etc, have been used in this study to test the significance of relationship between liquidity and profitability. Student test as also been used.

OBJECTIVES OF THE STUDY
1. To understand the quantum of liquidity maintain by the **MAA FRUITS INDIA Pvt., Ltd.,** and to analyze the amount tied-up in various component of working capital.
2. To examine the pattern of the liquidity position during the period under the study on the basis of certain parameters of liquidity management.
3. To compare the liquidity position from year to year by applying Mortaal's Comprehensive test.
4. To measure the extent of relationship between liquidity and profitability by using Spearman's rank correlation co-efficient and also to test the significance of such correlation co-efficient.
5. To provide suggestions wherever necessary to improve the efficiency of liquidity management of **MAA FRUITS INDIA Pvt., Ltd.,**

MEASUREMENT OF LIQUIDITY
The measure of liquidity helps to indicate the level of solvency and financial flexibility of the firm. In order to ensure a desire level of solvency and provide to enough financial flexibility to attain the strategic goals of the enterprise, the following important liquidity ratios are used to measure the liquidity of a concern.

RATIOS
A. Current Ratio
B. Liquidity Ratio
C. Cash Position Ratio
D. Stock Ratio
E. Debtor Velocity Ratio
F. Current Assets to Total Assets Ratio

LIQUIDITY MANAGEMENT AT MAA FRUITS INDIA PVT. LTD.
For this study the researcher has collected the data regarding liquidity position maintained by the company during last four years (2002- 2003 to 2005 – 2006) and the relevant ratio's measuring the above have been given in the following paragraphs apart from interpretation of the concerned.

TABLE 1: Liquidity ratios of MAA FRUITS INDIA Pvt., Ltd., from 2002 – 2003 to 2005 – 2006

Period	C.R	Q.R	C.P.R	C.T.T.R	I.T.R	D.T.R
2002 – 03	3.93	1.02	0.09	0.73	4.66	57.47
2003 – 04	1.72	0.37	0.01	0.75	16.60	28.12
2004 – 05	1.67	0.43	0.04	0.51	25.89	13.05
2005 – 06	3.27	1.33	0.25	0.76	9.42	43.09
Average	2.65	0.79	0.098	0.69	14.14	35.43
S.D	0.98	0.40	0.09	0.10	8.004	16.57
C.V (%)	36.98	50.63	91.83	14.49	56.61	46.77

Source: Computed from the annual reports of MAA FRUITS INDIA Pvt., Ltd., from 2002-03 to 2005-06 CR= Current Ratio; QR= Quick Ratio; CPR=Cash Position Ratio (Cash to C. Liabilities) CTTR=Current Assets to Total Assets Ratio; ITR=Inventory Turnover Ratio; DTR= Debtors Turnover Ratio.

A. CURRENT RATIO (CR)
Current Ratio (CR) is an important measure of analyzing the firm's ability to pay off its current obligations out of its short-term resources. Thus it indicates the relationship between current assets and current liabilities of a company. The higher the CR, the higher is the amount available per rupee of current obligations and accordingly, the higher is the feeling of safety and security. The rule of thumb about the CR is 2:1. The logic underlying this rule is that even when the assets realized 50% of their book valued (due to force sales) yet the proceeds would be adequate to meet short-term obligations. However, this rule is not a general guide and applicable to all types of businesses. Each firm should develop its own standard for CR from past experience.

The data in table 1 revels that current ratios in MAA FRUITS INDIA Pvt., Ltd., registered a fluctuating trend during the period under the study it various from 1.67 to 3.93. On an average the CR of the company was 2.65 during the period under the study. Its shows the CR are slightly more than the ideal CR of 2:1. It indicates it has maintained good liquidity positions. From the above calculated CR we could say that the Liquidity position of the company was satisfactory. The higher the current ratios, the more liquid the firm. However a higher CR of an indicates lower profitability of the firm. So it needs a further analysis of quality of short-term assets.

B. QUICK RATIO (QR)
This ratio is widely used parameter of judging the short-term repaying ability of a firm in the near future. The rule of thumb about quick ratio is 1:1. This ratio is a refinement over current ratio as its consider the quality of current assets. The exclusion of inventory is based on the fact that it cannot be easily and readily converted in to cash. Prepaid expenses by their very nature cannot be used for payment of current obligations. Quick or liquid liabilities refer to those current liabilities, which are required to be paid off immediately or at short notice. The exclusion of bank overdraft is due to the fact that it tends to become a permanent mode of financing.

It is evident from the table 1 that the quick ratio also marked fluctuating trend during the period under the study and ranged from 0.37 in 2002 – 2003 and 1.33 in the year 2005 – 2006. On an average the quick ratio in MAA FRUTIS INDIA Pvt., Ltd., was 0.79 nearing to the conventional norm of 1:1 through out the period study. It clearly indicates that the absolute liquidity position of the company was almost satisfactory. So on can infer that through out the period under the study particularly 2002 – 2003 and 2005 – 2006, the liquid assets of MAA FRUITS INDIA Pvt., Ltd., were improve and there are more than adequate assets to meet its short-term obligations.

C. CASH POSITION RATIO (CPR)
This ratio is also called as Super Quick Ratio and is a more rigorous test of liquidity position of a firm. Absolute liquid assets (Cash in hand, Cash in Bank and Marketable Securities) are divided by current liabilities for computation of this ratio. CPR is interpreted in respect of current obligations. A high CPR is good from the creditor's point of view whereas from the management point of view it indicates poor investment polices.

Table1 depicts the fluctuating cash position ratio trend during the period under study ranging from 0.01 in the year 2003 – 2004 to 0.25 in the year 2005 – 2006. On an average the ratio was 0.098 during the period of the study. This ratio was almost nearing to the average ratio in the year's 2002 – 2003 and 2003 – 2004 (2 years out of the total 4 years) the conventional norm is 50% or 0.5:1 it means their should be Rupee's one worth absolute liquid assets are considered adequate to pay Rupee's two worth current liabilities in time. The study indicates that the company never had the Cash position ratio 0.5:1. It indicates that the management of cash was poor in company.

D. CURRENT ASSETS TO TOTAL ASSETS (CTTR)

This ratio explains the extent of total funds invested for working capital purpose. 1 presents current assets to total assets ratio (CTTR) recorded almost fluctuations during the period under the study. It was high as 0.76 in 2005 – 2006 and as low a s0.51 in 2004 – 2005. The fluctuation in the ratio was not much expected in the year 2004 – 2005. The average percentage of current assets in relation to total assets was 0.69 which should that nearly 70% of funds remind tied up in working capital and about 30% remind invested in permanent assets during the period under the study.

E. INVENTORY TURNOVER RATIO (ITR)

This ratio throws light on the inventory control policy adopted by a concern. This ratio shows the relationship between the cost of goods sold during a particular year and inventories kept by a concern during that year. Higher ITR shows a higher efficiency of the management and vice-versa.

It is evident from table 4.1 that inventory turnover ratio registered increasing trend during the period under the study except in the year 2005 – 2006. The highest ratio was 25.89 registered in the year 2004 – 2005 and lowest was 4.66 registered in the year 2002 – 2003. The average of this ratio was 14.14 during the period under the study. It is observed from the table 1 that this ratio has improved from 4.66 in the year 2002 – 2003 to 25.89 in the year 2004 – 2005. It is thus clear that the management tried to control its inventory levels to a great extent during the period of the study. In the year 2005 – 2006 it was 9.42 which is lower when compared to the preceding two years. This is due to excess stock and accumulation of absolute stock. This is an indicator of dull business, accumulation of inventory, over investment in inventory, and unbalanced inventory, etc. In the years 2003 – 2004 and 2004 – 2005 the stock has been efficiently used and in the year 2005 – 2006 it was not much. However the inventory management of **MAA FRUTIS INDIA Pvt., Ltd.,** in general was satisfactory during the period under study wand was more efficient in the year 2003 – 2004 and 2004 – 2005.

F. DEBTOR'S TURNOVER RATIO (DTR)

This ratio throws light on the credit and collection policy pursued by a concern. DTR is an important tool of analyzing the efficiency of liquidity position of a company. The Liquidity position of a company depends on the quality position of a company depends on the quality of debtors to a great extent. It measures the rapidity or the slowness of their collectibles. The high DTR implies the prompt payments made by debtors and vice – versa. According to the study conducted by CMIE (Centre for monitoring Indian Economy), average DTR of level is consider to be satisfactory in an Indian manufacturing company (CMIE 1998).

It can be seen from the table 1 that the debtor's turnover ratio was 13.05 in the year 2004 – 2005 which is highly satisfactory compared to other year. In the years 2002 – 2003 and 2005 – 2006 the debtors took more than 43 days to pay there debts to the company. In other way this indicates the company followed the liberal credit policy to collect the cash from debtors or the company had not taken appropriate collection efforts.

TABLE 2 RANKING IN ORDER OF LIQUIDITY OF MAA FRUITS INDIA PVT., LTD., FROM 2002 – 03 TO 2005 - 06

Year	NWC to C.A		Inventory to C.A		Liquid Assets to C.A		Loans and Advances to C.A		Total Ranks A+B+C+D	Total Ultimate
	%	Rank A	%	Rank B	%	Rank C	%	Rank D	Total	Rank
2002 – 03	74.54	1	74.10	3	25.89	2	3.64	1	7	4
2003 – 04	41.71	3	78.21	1	21.79	4	2.24	3	11	2
2004 – 05	39.99	4	74.29	2	25.70	3	2.51	2	11	2
2005 – 06	69.42	2	59.27	4	40.73	1	1.28	4	11	2

Source: Computed from Annual Reports of MAA FRUITS INDIA Pvt., Ltd., from 2002 – 03 to 2005 – 06

TABLE 3: RANK CORRELATION BETWEEN LIQUIDITY AND PROFITABILITY OF MAA FRUITS INDIA PVT., LTD., FROM 2002 – 03 TO 2005 - 06

Year	Current Assets to Total Assets (CTTR) %	CTTR Rank (R-1)	Return on Capital Employed (ROCE)%	ROCE Rank (R-2)	R1-R2 D	D^2
2002 – 03	73	3	-4.52	4	-1	1
2003 – 04	75	2	1.39	3	-1	1
2004 – 05	51	4	4.40	2	2	4
2005 – 06	76	1	7.99	1	0	0
Total						$\sum D^2 = 6$

Source: Computed from Annual Reports of MAA FRUITS INDIA Pvt., Ltd., from 2002 – 03 to 2005 – 06

$$R = 1 - \frac{6\sum D^2}{N(N^2-1)}$$

$$= 1 - \frac{6 \times 6}{4(4^2-1)}$$

$$= 0.4$$

In table 1 an effort has been made to measure the consistency among all six parameters of liquidity management more precisely by applying the co-efficient of variation (C.V). The C.V is the most commonly used statistical method where the variability between two or more variables is compared. The variable for which the C.V is grater is said to be fluctuating or conversely less consistent, less stable, less uniform. On the other hand the variable for which C.V is less it is regarded as less fluctuating or more consistent, more stable or more homogeneous.

Table 1 revels that out the six different parameters of liquidity management, the co-variation is low in case of current assets to total assets ratio. If the current assets to total assets ratio is variable it meets that it is more consistent and stable with 14.49. At the same time cash position ratio is more variable and less consistent with 91.83. The remaining ratios trend has been followed lower to higher degree are that is 36.98 (Current Ratio), 46.77 (Debtors Turnover Ratio), 50.63 (Quick Ratio), and 56.61 (Inventory Turnover Ratio) respectively. The cash position ratio (CPR) in MAA FRUITS INDIA Pvt., Ltd., is less consistent. It further supports debtor's turnover ratio (DTR), Inventory Turnover Ratio (ITR), Current Ratio (C.R) and Quick Ratio (Q.R). The C.V is fluctuating ranges in between lower 14.49 and higher 91.83 variations.

MOTAAL'S COMPREHENSIVE TEST

Motaal's Comprehensive Test method of ranking has been applied to reach at a more comprehensive assessment of liquidity in which four different ratios's viz, networking capital to current assets ratio, inventory to current assets ratio, liquid assets to current assets ratio and loans and advances to current assets ratio have been computed and combined in a points score. A high value of networking capital to current assets ratio or liquid assets to current assets ratio shows greater liquidity and accordingly ranking has been done in that order. On the other hand, a low inventory to current assets ratio or loans and advances to current assets ratio indicates more favorable liquidity position and there fore, ranking has been done accordingly in that order. Ultimate ranking has further being done on the basis that the lower the total of individual ranks, the more favorable is the liquidity positions of the concern and vice versa.

Table 2 furnishes that in MAA FRUITS INDIA Pvt., Ltd., the years 2003 – 2004, 2004 – 2005 and 2005 – 2006 marked the most sound liquidity position and it was followed by the year 2002 – 2003.

CO-EFFICIENT OF RANK CORRELATION AND TESTING THE SIGNIFICANCE

Table 3 reveals the extent of relationship between liquidity and profitability of MAA FRUITS INDIA Pvt., Ltd., by computing Spearman's Rank Correlation Co-efficient.

An attempt has also been made to test whether the computed value of such correlation co-efficient is significant or not, student's "t" test has further been applied for this purpose the ratio of current assets to total assets (CTTR) has been used as the liquidity indicator and the ratio of return on capital employed (ROCE) of the company was 0.40.

The Student's "t" test proves that the correlation co-efficient between current assets to total assets (CTTR) and return on capital employed (ROCE) is statistically not significant. It is therefore concluded that the liquidity and the profitability move in the opposite direction.

TESTING THE SIGNIFICNCE OF CORRELATION CO-EFFICIENT

H_0 = Null hypothesis – There is no correlation between the ranked data of MAA FRUITS INDIA Pvt., Ltd.,

H_1 = Alternative hypothesis – There is correlation between the ranked data of MAA F RUITS INDIA Pvt., Ltd.,

$$t = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{n - 2}$$

Where r = 0.40, n = 4

$$= \frac{0.40}{\sqrt{1 - (0.40)^2}} \times \sqrt{4 - 2}$$

$$= 1.5315$$

$$V = n - 2 = 4 - 2 = 2$$

$$t\ 0.05 = 4.303$$

The calculated value of "t "is lower than the table value. The hypothesis is accepted that there is no correlation between the ranked data of MAA FRUITS INDIA Pvt., Ltd.,

SUMMARY OF FINDINGS, SUGGESTIONS

FINDINGS

- The company had higher current ratio in the years 2002 – 2003 and 2005 – 2006 more than the conventional norm of 2:1. The higher current ratio indicates more liquidity position than required and lower profitability position. This is not a good sign. In the years 2003 – 2004 and 2004 – 2005 the current ratio touched almost the conventional norm. Which mean the company enjoyed sufficient liquidity to meet its obligations.
- The study shows that the company enjoyed absolute liquidity position during the period under study. Though there was fluctuation in the ratio, on the whole it was satisfactory and this ratio was more than conventional norm of 1:1 in 2002 – 2003 and 2005 – 2006.
- The Study indicates the cash management of the company is poor which is revealed by the cash position ratios of different years.
- The firm invested almost 70% of funds in current assets.
- The study shows the inventory turnover ratio registered an increasing trend from the first year except the last year (2005 – 2006) which means that the management has try to maintain good inventory levels in the first 3 years of study and the last year the ratio was poor due to dull business, accumulation of more inventory etc.
- The company followed liberal credit policy with regards to collection of due from its debtors except in the year 2002 – 2003 where the company was able to collect the dues from debtors quickly.
- The Motaal's comprehensive test applied in the study shows that the company enjoyed most sound liquidity position in the year's 2003 – 2004, 2004 – 2005 and 2005 – 2006.
- The student "t" test applied in the study to test the relationship between liquidity and profitability using rank correlation calculated proves to be statistically not significant.

SUGGESTIONS

- The company should try to maintain stability with respect to current ratio.
- The company should have sufficient absolute liquid assets like cash, bank balances to meet its day to day expenses and payment of bills payable in time. The study shows that the cash management by company was poor. In the light of this situation, the company has to take care of cash management properly for which it needs to plan cash requirements for short term properly.
- The company could spent some more portion of fixed capital as investment in fixed assets which are used for production purpose, that give good return on the investment.
- The company should have some what stringent credit policy compare to the existing credit policy to collect the dues from debtors without loosing customer's loyalty.
- The company should see that inventory is not accumulated to much and ensure its fast conversion.

CONCLUSION

The Brand MAA is trying to compete with the other equally popular brands like Appy, Frooti, Maaza, Fruitnik, etc in terms of sales and market shares. The company MAA FRUITS INDIA Pvt., Ltd., during the study period maintained sound liquidity positions. But incase of certain liquidity measurement ratios like cash position ratio, consistency in the above aspects and try to maintain good cash position and speed up the cash collection for which it need's to revamp its credit policy and cash planning in the future. On the whole the company's liquidity management was almost satisfactory.

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SELF EMPLOYMENT PROGRAMME IN ORISSA: A CASE STUDY W.R.T. KHURDA DISTRICT

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ABSTRACT

The concept of development cover not only growth but sustainability. The need of "sustainability" is, in fact, a particular reflection of universality of claims applied to the future generations vis-à-vis us. Although Govt. of India along with the state Governments have been trying various developmental programmes to take care of the people living at the rock bottom of the pyramid. Many of those programmes are not only aiming at development but also take care of sustainability. Five major PTPs of GoI as consumes a lion chunk of the budget on developmental issue. The key major area of target intervention are through Self-employment scheme (Swarnajayanti Grameen Swarozgar Yojana (SGSY). Khurda district, home to the capital of Orissa is taken for analysis. The scheme aim at creating micro level entrepreneurs at the rural area, targeting those people, essentially in the bracket of BPL. Analysis are done by using statistical tools like least squire methode, and representation are done in tabular form. Answer lies in a change process, a revolutionary process, not an evolutionary one. Going by the current trend of converting only 1.88% of the rural poor to APL status and making the development sustainable, it will take more than half a century for the conversion of the entire population, by the time the BPL population might have grown many fold. It required urgent attention of all the stake holders and intensive target intervention. Things need to accelerate faster enough to out run the speed at the rate people are getting into the bracket of BPL. This is the case study of the district, nearest to state capital and about the flagship scheme for sustainable development.

KEYWORDS

Poverty, Orissa, Khurda, Self-employment.

INTRODUCTION

The issue of inequality and poverty are still haunting us after more than six decades of independence. Govt of India and all the state Govt. have been trying to answer these by the planning and implementation of various developmental programmes. In spite of the efforts made in the rural developmental strategy to accelerate the economic up gradation of the rural poor, the outcome has been far from sizable and eye catching. Orissa state sitting right at the bottom of the economic pyramid is analyzed, taking Khurda district as sample. Among all the thirty districts of Orissa, Khurda district should be under the microscope, since it is the home to the capital of the state. This may act as a precursor to the hypothesis of "if such a thing can happen to Khurda district, then what could have actually happened to the rest of the districts and especially to the KBK districts, which ranked amongst the poorest districts in the country".

Growth is a natural process but development requires deliberate intervention. "The concept of development should cover not only growth but sustainability. The growing concern with "sustainable development".[1] "In terms of development each country faces a unique set of problems, and a unique set of opportunities, hence required to frame a unique set of feasible policies. There is more than one path to human development, and hence the need to consider alternative strategies, but any successful strategy will have to pay careful attention to the structure of incentives that guides economic activity, the allocation of public expenditure and the institutional arrangements that determine the distribution of wealth and income and the vulnerability of various sections of the population to events which can threaten their livelihood and perhaps even their life."[2] The strategy seems suitable should be "a people centered strategy of development has implications for the role of the state. Often the discussion is couched in terms of the degree of centralization of the public administration, with most analysts favoring a highly decentralized system of governance. The appropriate degree of administrative decentralization is a secondary issue. What really matters is the empowerment of local people to identify their own priorities and to implement programmers and projects of direct benefit to them. That is, development should be seen as a process that is not just for people but a process organized, guided and undertaken by people. This in turn implies the active participation of people in the development process and the consequent need to construct institutions that permit and indeed encourage that participation. A vigorous civil society, in other words, is an essential component of a successful human development strategy."[3] "There are of course several ways these objectives can be achieved and the specific programmes intended to be illustrative: to show what has been tried, what works and what problems have been encountered. There are purely redistributive measures intended to reduce inequality, such as progressive income taxation or means tested benefits. Instead the focus is a reforms that promote human development, that is, structural reforms that increase the capabilities of people directly or that increase the pace of human capital formation and hence the capabilities of people in future. Old policies and programmes may look rather different when seen in this new light."[4]

"Financing human development should not be used by the state as a justification for adding more to an existing framework, that is, for spending more and taxing more. Rather human development should be interpreted as requiring the state to do something different. Thus a well designed human development strategy should result in rates of growth of average income that are at least as high as could be achieved under a different strategy, and it should also result in a lower incidence of poverty and a greater degree of equality"[5] Although the concept of development revolve around the human (Man) factor more than the other inputs required for management- Machine, Money, and Material. The value addition as of prime importance for the success. There should be synergy in sharing the value. Since the success of any strategy pertaining to development should be based on Shared value."[6]

SHORT PROFILE OF ORISSA & KHURDA DISTRICT

Orissa state is having 30 districts, with 39.9% people living bellow the line of poverty (2001-Census). Khurda is the Capital District of Orissa, 2813 sq. K.M in area, is having two subdivisions, 10 number of blocks, 7 numbers of Tahasil, 168 number of Gram Panchyats and 1567 number of villages, is a home to 1874000 number of people as per 2001 census. Out of which 1069000 people live in the rural area, which is 57.04% of total population..

Targeting measures used in anti-poverty programs(PTP). There exist a large number of small and big PTPs in India, channeled through different ministries of the central government, and with different modalities of implementation. First, however, a brief discussion of targeting mechanism in the Indian context is useful. A widely used categorization of targeting mechanisms that can be used to classify PTPs is as listed below.

SELF-TARGETING

Such schemes rely on differential incentives of agents in tackling the problem of asymmetric information between the principal (the government providing poverty relief) and the agents (households or individuals affected by the government schemes). The design of the schemes has the objective of making the scheme worth participating in only for those who are poor, not for others. **Activity targeting**: Relies on "broad" targeting, primarily through subsidized provision of goods and services whose benefit incidence will be progressive, i.e., falling largely on those poor rather than better-off. **Location targeting**: Based on geographical distribution of poverty, seeking to target interventions in geographic areas with high concentration of the poor. **Indicator targeting**: Relies on non-income indicators that are meant to be correlated with poverty. These can include lack of or size of ownership of land, form of dwelling, social status, gender of head of household, etc." [7].

Keeping this as a backdrop, "the underlying rationale of these targeting mechanisms is that administrative and other costs of identifying those who are poor are high, potentially reducing the resources that would be transferred to the poor under the scheme. Targeting mechanisms are a contractual/program-design innovation in response to the information asymmetry and the high costs of overcoming the information barrier. However, this framework is implicitly less than comprehensive in approach, in the sense of focusing only on one scheme at a time. In a context where the principal (in a principal-agent context) has several schemes in operation, the administrative costs *per scheme* (of overcoming information asymmetry) can get diluted substantially, thereby vitiating the need for indirect targeting mechanisms for any specific scheme. Put alternatively, the issue of whether or not the administrative costs of identifying the poor are undertaken by the government usually does not depend on any specific scheme. In an inter-temporal context, where the government does not know what specific schemes it may want to implement in near future, "tagging the poor" – Administrative Identification – may provide externalities in terms of greater choices of schemes and their designs."[8]

SCHEMES FOR PTPs

Government of India as listed implement five PTPs, which consume a lion chunk of the development budget. 1. **Rural employment program** (Sampoorna Grameen Rozgar Yojana, or Comprehensive Rural Employment Scheme). 2. **Self-employment scheme** (Swarnajayanti Grameen Swarozgar Yojana (SGSY), or Golden Jubilee Rural Self Employment Scheme). 3. **Rural Housing Scheme** (Indira Awas Yojana (IAY)). 4. **National Old Age Pension Scheme** (NOAPS). 5. **Drought Prone Areas Program** (DPAP).

SWARNAJAYANTI GRAMYA SWAROJAGAR YOJANA (SGSY)

Self employment programme has been launched by Government of India w.e.f. 1.4.1999 with a holistic approach by replacing schemes like IRDP, TRYSEM, DWCRA, SITRA, MWS and GKY etc. Among these five major poverty alleviation programmes, self employment programme (SGSY) seems complete and fully integrated one. The same year it is implemented in Orissa as well as in Khurda District. It is truly an umbrella scheme, addressing the issue of sustainability. Swarnjayanti Gram Swarozgar Yojana aims at establishing a large number of micro-enterprises in the rural areas, building upon the potential of the rural poor. A significant aspect of SGSY is that every family assisted under this programme will be brought above the poverty line in three years and therefore the programme aims at creating substantial additional incomes for the rural poor. It will target the most vulnerable among them. At least 50% of the Swarozgaris (Self Emloyed) will be SC/STs, 40% women and 3% disabled. The objective of restructuring was to make the programme more effective in providing sustainable incomes through micro enterprises while providing for flexibility of design to suit local needs. Funds under the SGSY are shared by the Centre and the States in the ratio of 75:25. In the case of UTs, the scheme is fully funded by the Centre. SGSY is conceived as a holistic programme of micro enterprises covering all aspects of self employment and establishing effective linkages between the components viz; organization of the rural poor into self help groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing. Micro enterprises in the rural areas are sought to be established by building on the potential of the rural poor. The main aim of the scheme was i) Upliftment of BPL (Below Poverty Line) families in rural areas. ii) To assist under bank credit and Government Subsidy. iii) Each Swarojagary would get Rs.2000/- PM. After repayment of Bank loan.

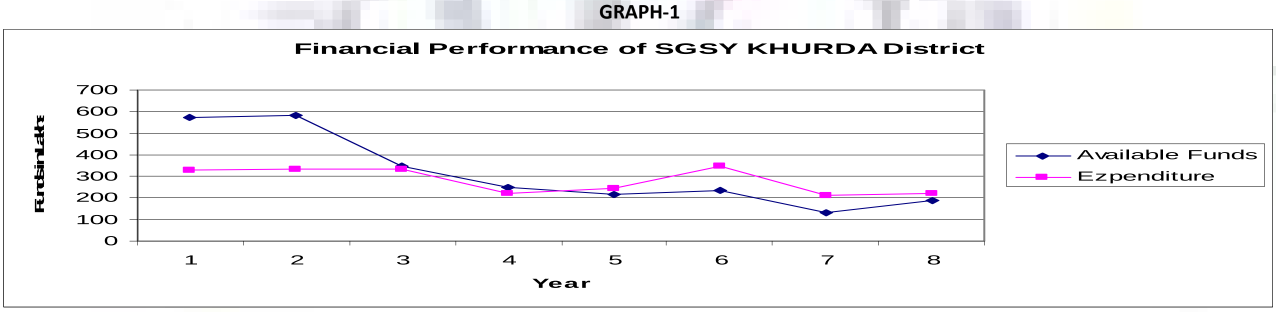
TABLE-1: THE SGSY KHURDA AT-A-GLANCE

	The SGSY performance in Khurda District			Rs. In Lakh			
Year	Sl No	Funds Available	Expenditure	% of Exp	Target	Achievement	% of Achievement
1	2	3	4	5	6	7	8
99-00	1	572.18	326.99	57	3654	2997	82
00-01	2	583.27	332.37	57	4531	2685	59
01-02	3	349.24	333.9	96	3765	3713	99
02-03	4	249.02	218.75	88	1843	2212	120
03-04	5	216.3	245.36	113.43	2211	2433	110
04-05	6	236.2	346.18	147	1735	2343	135
05-06	7	130.51	209.35	160	1735	1869	108
06-07	8	188.54	219.69	117	1974	1994	101
Total		2525.26	2232.59	88.41	21448	20246	105
Mean		315.65	279.07	88.41	2681	2530.75	105

Source: DRDA Khurda

Mean value being 2530 means the same number of beneficiaries are crossing the line of poverty every year in Khurda District, having a BPL population of 134192, which is only 1.88 per cent of the BPL population in rural areas of Khurda. With the kind of insignificant achievement the upliftment of rural poor will not be possible, neither do the scheme achieve its goal of converting 30 percent of the rural poor within a period of 5 years. In the second year the achievement against target was significantly lower. Resulting in lowering the target for the subsequent years to the minimum level, instead of taking corrective action to amplify the performance. This is justifying the sense of having a great scope of improvement. All the schemes go through a stage of introduction and growth, but not in the case of SGSY in khurda. It move the other way round. SGSY is the umbrella scheme for creating self employment. Although the provision of being a Swarozagariy is either an individual or a group, yet in practice DRDA encourage SHG to avail the facilities to over an individual. Among SGSY, IAY and SGRY the implementation process of SGSY is difficult because it takes care of group interest. It is also most effective, since a group is getting the benefit instead of an individual. Which if planned and implemented properly is likely to give the benefit to a group of people and their family in one go.

GRAPH-1



In the graph-1**, X-**axis is the funds in Lakhs of Rupees and Y-axis is the number of Years. Blue line is the Funds availability and Pink line is the expenditure over the years. First two years (1999-2000 & 2000-2001) to a large part of the third year the expenditure is at a lower level, showing a gap between planning and implementation. Similarly year sixth and seventh (2004-2005 & 2005-2006) and a large part of 2006-2007 the expenditure is more than the availability of funds, which leads to many adversity of rearranging the funds from some other over heads.

TREND ANALYSIS

The trend analysis of the expenditure of SGRY Scheme of Khurda District from the year 1999-2000 to 2006-2007 (for eight years) are shown bellow, to scrutinize the growth pattern on the expenditure over the years. Since the series is a even one, the mid value of X is calculated and the Value of X^2 is taken in the table bellow. The trend of the expenditure of SGSY, Y value is calculated as Y = A+ BX. A is the value of ∑ Y / n . "n" is the number of years, n=8. A=279.07, B= ∑XY/ ∑ X^2. B = 47.16

TABLE-2: TREND ANALYSIS OF KHURDA SGSY EXPENDITURE				
Year	X	X^2	XY	Trend
1	2	3	4	5
1999-00	-7	49	-2288.93	-51.05
2000-01	-5	25	-1661.85	43.27
2001-02	-3	9	-1001.7	137.59
2002-03	-1	1	-218.75	231.91
2003-04	1	1	245.36	326.23
2004-05	3	9	1038.54	420.55
2005-06	5	25	1046.75	514.87
2006-07	7	49	10764.81	609.19

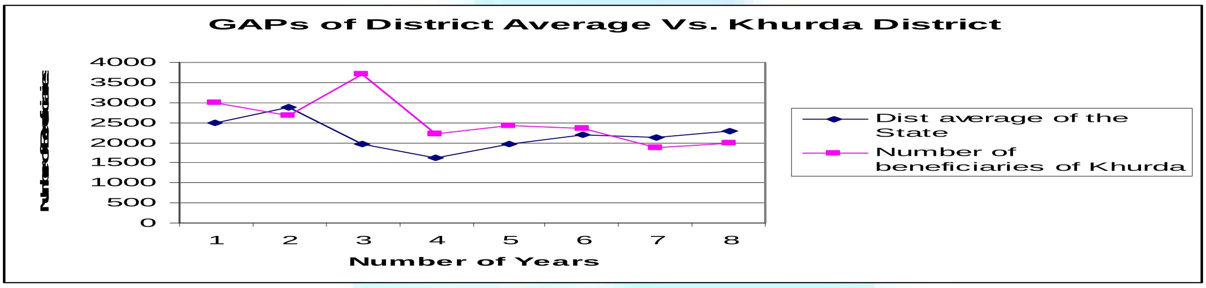
It is clear that the trend of Y in the table -2 is on a growth mode. Yet it is too little, looking at the very high BPL population in the rural area of Khurda District. In eight years only 20246 number of Swarozagaries are created (Table-2) over the BPL population of 134192 numbers in the district. Which is only 15.08 percent.

TABLE -3: GAPS IN PHYSICAL PERFORMANCE OF SGSY OF KHURDA VS. STATE AVERAGE					
SL.NO	YEAR	Number of Beneficiaries in ORISSA	Average per district	Number of beneficiaries of KHURDA	GAP KHURDA Vs. State Average
1	99-00	74633	2487.76	2997	509.23
2	00-01	86171	2872.36	2685	-187.36
3	01-02	59233	1974.43	3713	1738.56
4	02-03	48925	1630.83	2212	581.16
5	03-04	59289	1976.3	2433	456.7
6	04-05	65712	2190.4	2343	152.6
7	05-06	63904	2130.13	1869	-261.13
8	06-07	68687	2289.56	1994	-295.56

Source: P.R.Department. Government of Orissa

In the physical achievement the gap is clearly visible between Orissa average and the performance of Khurda district. in the col.3 which is calculated by dividing the total state achievement by 30 (Number of Districts). Speaks volumes regarding the inconsistency. As shown in the graph-2, the achievement in the number of beneficiaries, a huge gap is there in the 3rd year's performance of Khurda as against the 4th years' performance in the district's average.

GRAPH-2



The our come of the implementation is also not as per the objective and guideline of the scheme SGSY. As shown in the table bellow.

TABLE-4: SOCIAL GROUP-WISE BENEFICIARIES COVERED IN SGSY IN KHURDA DISTRICT					
Year	S.C	S.T	General	Total	Women
1999-2000 to 2004-2005	**3962**	**1447**	**10895**	**16304**	**5155**

Source: DRDA Khurda

From the table-4, the Non SC & ST categories are only 33%, from the six years (1999-2000 to 2004-2005) data of Beneficiaries of Khurda District, under SGSY scheme. On the other hand the General catagories have dominated by a very high percentage. Where as it should have been at least 50% (As per the norm). Idally the women Swrozagaries should be 40 per cent (as per the guide line) of the total beneficiaries, but in Khurda it is lower and only 24%.

CONCLUSION

A proactive measure is required with, overhauling of the implementation machineries. In order to make it more effective, a change process should be initiated, a revolutionary process, not an evolutionary one. Going by the current trend only 1.88% people are taking the help of the scheme per annum (As per 2001 census). Going at this rate, it will take more than half a century for the conversion of the entire BPL population to bring them above the line of poverty. By the time the BPL population might have been multiplied manifolds. It required urgent attention of all the stake holders. Intensive target intervention is the need of the hour. Things need to accelerate faster enough to out run the speed of people getting into the bracket of BPL. This is the case study of the district, nearest to state capital and about the flagship scheme for sustainable development, which is almost like watching the grass grow.

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TURNAROUND STRATEGIES: A CASE STUDY OF NTC

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ABSTRACT

The present case study is based on the turnaround stretagy of NTC. It is observed that it was not a sound strategy to have limited modernization after the nationalization of the mills and instead of giving subsidy and loans for the wages; efforts should have been made to make the individual mills viable by allowing for the import of the latest technology machinery, going in for workload agreements with trade unions, rationalisation of workers and other employees as there was excessive manpower, should have gone for the value addition instead of continuing with the traditional product and as the power cost was also very high efforts should have been made to reduce the cost of power by having energy audit etc.

KEYWORDS

Turnaround, NTC, Strategy.

INTRODUCTION

In the early 1990s the era of liberalization set in displacing the era of protectionism in the industry. The organizations which were dependent on government subsidy have had to search alternatives for their survival.

N.T.C. was one such organization which depended hitherto on government support for their survival. It was producing mostly controlled cloth which was subsidized by the government for supplying to weaker sections of the society.

Due to change in the policy of the government the subsidy on the controlled cloth was stopped. As a result N.T.C. accumulated huge losses and the net worth of 8 out of 9 subsidiaries was totally eroded necessitating reference to Board for Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act in the year 1993-94.

[SICA 1985: Enactment of Sick Industrial Companies (Special Provisions) Act, 1985 has been a measure aimed at dealing with sick industrial companies with coordinated approach. A sick industrial company is defined as one, which has been in existence for at least five years, and which has accumulated losses in financial year equal to more than its net worth. (Net worth is Equity Free reserves-Accumulated loss) It is obligatory for the Board of Directors of sick company to report its sickness to Board for Industrial & Financial Reconstruction. In Dec. 1992 Government of India has amended the SICA, so as to bring public enterprises also under its purview.

BIFR: Board for Industrial &Financial Reconstruction is empowered to initiate necessary enquiries to determine whether the company is sick or not if BIFR comes to the conclusion that the company is sick, it can give reasonable time to make the company's net worth positive. It may devise suitable measures for the purpose. Operating agencies amongst the Financial Institutions and Banks may be appointed by the BIFR to formulate revival/rehabilitation packages]

BACKGROUND OF N.T.C.

In the early 1970s most of the old textile mills became sick and needed government intervention. The government bowed to political pressures and nationalized most of the sick textile mills, thus giving birth to National Textile Corporation (NTC).The National Textile Corporation Limited is a Central Public Sector Undertaking under the Ministry Of Textiles. N. T. C. inherited all sick mills by virtue of nationalization of private mills N.T. C. started with 16 mills the number rose to 103 by 1972-73, ultimately to 119 in 1995.

Year	**1968**	**1974**	**1995**
Number of mills	16	103	119

Source: Annual Report of NTC to Ministry of Textiles. Year1969, 1975, 1996

ORGANIZATION

The N.T.C. managed all these mills through 9 subsidiaries

1. N.T.C. (Delhi Punjab &Rajasthan)	8
2. N.T.C. (Madhya Pradesh)	7
3. N.T.C. (Uttar Pradesh)	11
4. N.T.C. (South Maharashtra)	17
5. N.T.C. (Maharashtra North)	18
6. N.T.C. (Gujarat)	11
7. N.T.C. (Andhra Pradesh, Karnataka, Kerala & Mahe)	17
8. N.T.C. (Tamil Nadu &Pondicherry)	15
9 N.T.C. (West Bengal, Assam, Bihar, & Orissa)	16

Source: Annual Report 2001-02 Ministry of Textiles

These mills were having 34, 29,664 spindles *[Spindle is the unit on which the yarn is manufactured and the capacity of the spinning mills is measured by the number of spindles it is having]* in 119 mills averaging about 29000 spindles whereas the minimum economic unit should have 25000 spindles. Thus they were barely touching the minimum economic capacity limit. + The machinery in these mills was very old mostly dating back to pre- independence era giving very low machine productivity and poor quality.

Similarly on the weaving side the average number of looms although was 350 yet they were narrow width plain looms some dating back to even 1930s.These were capable of producing only short width cotton cloth.

LIMITED MODERNIZATION

The N.T.C. took up modernization of its mills during 1977 to 1981. In some of the mills up to 80% of the machineries were modernized.

While in rest the modernization was done in piece meal i.e. critical operating parts were replaced with latest part, retaining the structure of the old machine.

CHALLENGES FROM THE CHANGING ENVIRONMENT

The emergence of power loom sector (small scale weaving units manufacturing mainly cotton cloth) put a challenge to the organized mills sector (including N.T.C.). These power loom units were working on a very low wage cost and overheads thereby having cost advantage. Of the total cloth production in the country 96% comes from decentralized sector

Power loom	59%
Hand loom	19%
Hosiery	17%
Khadi	1%

Source : From using NSSO, Unorganized manufacturing sector, 62 round , 2005-06, July-June and estimates of factory sector for year 2005-06 using results from 2000-01

N.T.C. survived all these years mainly on government protection. As per directive of the government the N.T.C. produced controlled cloth for the government which was supplied by the government to weaker sections of the society.

The emergence of reliance as key player in the early 1980, accompanied by a reduction in import duties on the petrochemicals that constituted the raw material for the polyester, presented a strong threat to cotton textiles. Soon the cheaper and more durable synthetic garments found an appeal in the mass markets. Cotton increasingly got sidelined as an expensive option.

WHAT CAUSES A COMPANY TO GO INTO DECLINE?

- Mal adaptation
- High Operating Cost
- High Wages Cost
- Insufficient Resources
- Excessive debt burden
- Highly successful Competitor

MAL-ADAPTATIONS

- NTC did not upgrade its technology on a regular basis resulting in huge mismatch between the working environment and global scenario. Initially the Government of India did not allow the import of machinery with latest technology on the pretext that the new technology will displace the workers and they will become jobless.
- The Special Economic Zones (SEZs) were set up where in the entrepreneurs were allowed to set up 100% export oriented units (EOUs). These units could import latest available technology, so that the quality of their product is of international standard.
- Then in early 1990s the textile mills were allowed to install latest machinery with state of art technology and the license system was abolished. Different classes of mills emerged with different level of technology.

HIGH OPERATING COST

Due to poor technological level of machines and the rising cost of power (per unit of output) and low labour productivity the operating cost as a percentage of turnovers has increased.

ITEMS	% of Turnover	
	Actual	Standard
Raw material	54.00	45-50
Manufacturing Expenses	13.48	6-10
Power	19.49	11-14
TOTAL	86.97	65-70%

Source: Company Records

HIGH WAGES COST

There was excess manpower in N.T.C. as the workers did not accept the higher workload along with the rationalization in number of mills whereas their wages/ allowances were upgraded Since the wage structure in textile sector is based on region cum industry pattern, the workers who worked in mills located at Mumbai, Ahmadabad and Kanpur etc. were getting higher wages as compared to their counterpart in mills located at small places like Aurangabad, Nanded, Navsari, Naini, Maunath Bhanjan etc.

- Salary and wages cost of the NTC is about 81.24 % of Turnover as against standard of 8-12%.

INSUFFICIENT RESOURCES

Due to continuous losses the resources dried up resulting in net worth of the company becoming not negative.

- Authorized Capital Rs.600 Cr.
- Paid up Capital Rs.540 Cr.
- Net Worth Rs.-8,327.08Cr.

Source: Company Records

EXCESSIVE DEBT BURDEN

The losses of N.T.C. increased continuously as a result the government provided loan to N.T.C. to meet not only the working capital but wage support.

- Loans from Govt. Of India Rs. 4,419.90 Cr.
- Interest on above loan Rs. 2,293.34 Cr.

Source: Company Records

HIGHLY SUCCESFUL COMPETITOR

There was stiff competition from private sector in every type of end products the NTC was manufacturing.

- In the high end there are number of Competitors like Bombay Dyeing, Gwalior Suitings, Siyaram, Mayur Suitings, Vardhman Group etc.
- In the lower end number of power loom units started producing not only coarse cloth, sheeting, large width cloth, but suiting and shirting also.

The BIFR examined the reference of NTC to it. The companies were declared sick and IFCI/IDBI were appointed as operating agencies for different subsidiaries. Efforts were started to device the revival scheme to turnaround the situation.

The Three (3) Stages of a Turnaround Situation generally are

(i) Crisis
(ii) Stabilization
(iii) Rebuilding

CRISIS

- The manager's first task is to ensure the survival of the business.

- This primarily means arresting the cash outflow "stopping the bleeding".
- All those Mills which were unable to contribute towards wages and salaries after covering the variable cost and administrative expenses were stopped.

STABILIZATION

- Creating some "breathing" room

Since there was no working capital, the mills were allowed to work on job contract basis with the principle that supply of raw material and sale of finished product being the responsibility of job contractor, the NTC received job charges for converting raw material into finished product.

REBUILDING

- The Management of NTC looked for the turnaround plan to grow the business.
- The Management tried to instill some entrepreneurial qualities back into the organization.

The techno economic viability study was conducted for each individual mill.

As a result only 53 out of total 119 mills from different subsidiaries were found viable. The balance 66 mills were found to be unviable.

No. of Viable & Unviable Mills as per (TEVS) Techno economic viability study.

No.	Name	Viable	Unviable	Total
1.	Holding Company	3	2	5
2.	NTC(DP&R)	5	3	8
3.	NTC(MP)	2	5	7
4.	NTC(UP)	2	9	11
5.	NTC(SM)	8	9	17
6.	NTC(MN)	9	11	18
7.	NTC(GUJARAT)	2	9	11
8.	NTC (APKKM)	10	6	16
9.	NTC (TN&P)	6	4	10
10.	NTC (WBAB&O)	6	10	16
	Total	53	66	119

Source: Annual Report of Ministry of Textiles 2007 - 08

PRINCIPLES OF REVIVAL SCHEME

1. All Banks/ FIs dues to be liquidated through issue of Tax free Bonds under one time settlement (OTS)
2. VRS to be paid to
(i) All workers of non- viable mills
(ii) Surplus workers of viable mills
3. All statutory dues (like Provident Fund, ESI, etc.) to be cleared with interest but without damages.
4. All unsecured creditors to be paid.
5. Total land of unviable mills and surplus land of viable mills to be sold.
6. Old obsolete/surplus machinery to be sold wherever possible.
7. Modernization/Renovation of viable mills.
8. Wage freeze for 5 years.
9. Net worth to be made positive in 10 years.

EXPENDITURE

S.No.	ITEMS	AMOUNT (Rs. in Cr.) Ist phase	2nd phase
1.	Modernization	1465.78	318.83
2.	VRS/MVRS	1663.35	141.94
3.	Statutory Dues (Including Interest.)	210.42	--
4.	Pressing Creditors	307.05	--
5.	OTS	290.89	--
6.	Working Capital		117.61
7.	Wage Support (during implementation)		148.00
	Total	3937.49	726.38

Source: Annual Report of Ministry of Textiles 2007 - 08

RESOURCES

S.No.	ITEMS	AMOUNT (Rs. in Cr.)
1.	Sale of Land / other Assets	3829.92
2.	Wages Support for previous 2 years (Loan from Govt.)	687.22
	Total	4517.14

Source: Annual Report of Ministry of Textiles 2007 - 08

WHAT ARE THE GENERIC STRATEGIES A FIRM CAN USE TO STOP THE DECLINE AND TURN THE ORGANIZATION AROUND?

GENERIC TURNAROUND STRATEGIES

- Change of management
- Rationalize Operations
- Revenue Push
- Cost Cutting
- Competitive Repositioning
- Selective Product / Market Pruning
- Major Retrenchment

CHANGE OF MANAGEMENT

Mr.K Ramahandra Pillai was appointed as Chairman & Managing Director of National Textile Corporation ending a long stint of deputing of I.A.S. officers from the Ministry of Textiles as C.M.D. for an average duration ranging from 2 to 3 years.

RATIONALIZE OPERATIONS

The operations were rationalized closing down the uneconomic mills/departments/activities. Out of 119 mills 22 were identified for modernisation by NTC.

119 MILLS in TROUBLE WATER

Viable Mills	Non Viable Mills	
53	66	
-1	-1	2 mills were transferred to Govt. of Pondicherry.
52	65 are to be closed	

To be modernized

22	18	12 out of 52 mills further closed as most
By NTC	by JV	of the workers have opted for MVRS

Source: Annual Report of Ministry of Textiles 2007 - 08

REVENUE PUSH - FINANCING STRATEGY

- Asset based financing: The source of financing will be mainly by sale of assets of unviable mills and surplus assets of viable mills.
- Since the sale of machinery would have taken time and would not have been possible unless the employees/workers are separated from mills which again required funds for the payments under VRS. In order to bridge the gap in funds mismatch N.T.C. issued bonds (guaranteed by the Government of India).

COST REDUCTION STRATEGY

- Focus on cost reduction/process improvements measures
- As the wage cost was substantially very high, surplus manpower were offered MVRS, as a result the wage cost has came down from 46 % in year 2003-04 to 26% of total expenditure in year 2008-09*

**Source NTC reports*

COMPETITIVE REPOSITIONING STRATEGY

While preparing Techno Economic Scheme for the individual mills the NTC has taken care that the mills take advantage of

- The local/adjoining markets as the products were known to customers
- At the same time establishing institutional markets like Indian Railways, ITDC Hotels etc. since it is easier for the institutions to purchase from organization like NTC (a PSU) than from private sector.
- Exploring Export market-- NTC was already exporting its products although in a small quantity from mills located in southern region.

SELECTIVE PRODUCT

While selecting the products for different mills it was taken care that no two mills produce the same product and supply in the same market in competition of each other.

MAJOR RETRENCHMENT

Since 77 mills were to be closed as a result all the employees working in these mills and surplus employees of the remaining viable mills are to be separated. A major retrenchment policy was drawn.

VRS: Voluntary Retirement Scheme was offered to employees with following benefits:

1. The employees were given extra payment @ 45 days per completed year of service as ex gratia.

This is apart from their normal gratuity and balance of P.F. accumulation in the accounts of the employees.

MVRS: The scheme of VRS was further modified known as Modified Voluntary Retirement Scheme and benefit for the remaining period was also taken into consideration.

1. The employees were entitled to extra payment @

(i) 35 days per completed year of service and

(ii) 25 days per year of remaining service as ex - gratia payment.

This ex - gratia payment was in addition to normal gratuity and provident fund benefits to which the employee is entitled.

IMPLEMENTATION OF THE REVIVAL SCHEME

The revival scheme is being implemented by the NTC and improvements are observed in the operations.

1. The number of working mills was brought down from 119 to 24, a reduction of about 80%.
2. The turnover of the NTC increased by 6.47%.Which is quiet substantial considering the situation as stated above at S.No. 1
3. Production value has increased by 37%. This is again very steep rise considering that number of mills has drastically reduced.
4. Cash loss has reduced by 70%.

In fact NTC has a cash surplus of 118.09Crores in 2008-09.

5. Maximum capacity utilization has also increased by 6% from 76 to 82%.
6. Number of employees has reduced by 84.66% as a result of introduction of voluntary retirement scheme.
7. Some of the assets were sold and cash accruals from this were Rs. 4034.09 crores as against an estimate of Rs.3829.92 Crores from sale of all surplus assets.

The NTC is thus turning around.

S.No.	Particulars	Before Modernization in 2001-02	After Modernization In 2007-08	%age change
1.	Organizational structure	Holding company +9 subsidiaries	All 9 subsidiaries merged with Holding company	
2.	No. of working mills	119	24	
3.	Turnover	454.49	483.92	+ 6.47%
4.	Production Value	474.00	652.95	+ 37%
5.	Cash loss	(403.44)	(116.89)	- 70%
6.	Max. capacity utilization	75.99%	82%	+ 6 %
7.	Working capital	Not available	Sufficient	
8.	No. of employees	78946	12490	-84.66%
9.	Employees opted MVRS	Nil	59252	
10.	MVRS amount paid	Nil	2132.22	
11.	Sale of assets	Nil	4034.09	
12.	Wage support	385.00	62.50	- 83.77%

Source: Annual Report of Ministry of Textiles 2002 - 03, 2008 – 09 & Company Records

RECOMMENDATIONS

Although the NTC has pruned its structure, retained under its direct control, and modernized only those 22 mills which are potentially viable requiring less investment.

As a second line of defence it is forming joint venture with some of the leading players of the textile industry like Pantaloon, Abhishek Industries etc. to run 18 mills.

NTC is having 100 plus showrooms spread across the country located at prime locations. NTC must strengthen its marketing structure by forming joint venture with leaders of the retail marketing thus taking advantage of their professional expertise.

The present era is of value addition NTC must also look forward in entering a new field of readymade garments by having some tie up with established organization from the field.

These steps will not only diversify the range of products of NTC but by forward integration it will also be a value addition for its products.

CONCLUSION

Thus it is observed that it was not a sound strategy to have limited modernization after the nationalization of the mills and instead of giving subsidy and loans for the wages, efforts should have been made to make the individual mills viable by

(a) Allowing for the import of the latest technology machinery.
(b) Going in for workload agreements with trade unions.
(c) Rationalisation of workers and other employees as there was excessive manpower.
(d) Should have gone for the value addition instead of continuing with the traditional product.
(e) As the power cost was also very high efforts should have been made to reduce the cost of power by having energy audit etc.

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PATIENTS' PERCEPTIONS OF OUTPATIENT SERVICE QUALITY - A CASE STUDY OF A PRIVATE HOSPITAL IN SOUTH INDIA

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ABSTRACT

Managing the quality in hospitals is one of the vital concerns for the hospitals. Use of patient perception in measuring quality of care has been shown to be useful in screening problems and in planning for improvement of quality of health care delivery. Traditionally, quality of care has been measured using professional standards, neglecting patients' opinions which may leave psychosocial needs unattended. The objective of the present descriptive cross-sectional study was to assess patients' perceptions of quality of care given at outpatient department (OPD) at a private hospital in Kanyakumari District, Tamilnadu. Hospital based exit interviews were conducted to the patients or caregivers of children attending the hospital. Information on perceptions on care provider-patient interaction, cost of service, availability of medicines, equipment and health personnel was sought from the participants. Overall OPD was perceived to have several shortcomings including, lack of responsiveness to patients' needs, delays, unreliable supply of medicines in hospital, maintaining cleanliness and inadequate availability of diagnosis services. Cost of service was perceived to be reasonable provided medicines were available. In conclusion, provider-patient interactions, timely services and supply of medicines were the major factors affecting quality of service at the hospital. Efforts should be made to address the shortcomings so as to improve quality of care and patients' perceptions.

KEYWORDS

Out patients, Patients' perceptions, Private Hospital, Service quality.

INTRODUCTION

Healthcare industry in India has been emerging as one of the biggest service sectors. It constitutes 5% of GDP and its revenue is estimated around $ 30 billion. Opportunities according to Investment Commission of India, the sector have witnessed a phenomenal expansion in the last four years growing at over 12% per annum. As per a recent CII-McKinsey report, the growth of this sector can contribute to 6-7% of GDP by 2012 (CII Report, 2010). The Indian healthcare provider needs to be benchmarked to international quality and efficiency standards to provide the quality service to the patients to meet the expectation.

Outpatient department is the Patients' first point of contact in the Hospital. It is the shop window of hospital. The service quality provided by this department would makes or mars the hospital image. A quality OPD service can reduce the load on in-patient services and also improve the perception of the patients and his/her attendants about the hospital. In the today's' healthcare competitive environment it is very important to provide the quality OPD services to the patients.

Many quality Gurus and scholars has been given many definitions of quality by focusing on the identification and satisfaction of customer needs and requirements. The service quality can be defined as the difference between expected service (customer expectations) and perceived service (customer perceptions). (Parasuraman et al. ,1985) Here the "Expectations" refers to the wants of the consumers that they feel a service provider should offer and the "Perceptions" refer to the consumers' evaluation of the service provider. Based on Parasuraman's definition to the service quality, the healthcare service quality can be seen as "the difference between expected service and perceived service in a healthcare organisation by the patients". Quality of health care is the degree of performance in relation to a defined standard of interventions known to be safe and that have the capacity to improve health within available resources. It can also be defined as meeting the health needs at the lowest cost and within regulations (Øvretveit, 1992).

SERVICE QUALITY IN HEALTHCARE

FUNCTIONAL AND TECHNICAL QUALITY

The quality of service – both technical and functional – is a key ingredient in the success of service organizations (Grönroos, 1984). Technical quality refers to the basis of technical accuracy and procedures. In health care context, it is defined on the basis of the technical accuracy of the medical diagnoses and procedures or the compliance of professional specifications (Lam, 1997). Technical quality also refers to the competence of the staff as they go about performing their routines. These include the clinical and operating skills of the doctors, the nurses' familiarity with the administration of drugs and the laboratory technicians' expertise in conducting tests on blood samples (Tomes and Ng, 1995).

Functional quality refers to the manner in which service is delivered to the customer. In health care setting, patients usually rely on functional aspects (facilities, cleanliness, quality of hospital food, hospital personnel's attitudes) rather than technical aspects when evaluating service quality. Research has shown that technical quality is not the useful measure for describing how patients evaluate the quality of a medical service encounter (Bowers et al., 1994). Even though technical quality has high priority with patients, most patients do not have the knowledge to evaluate the quality of the diagnostic and therapeutic intervention process effectively. In fact, they are unable to evaluate the technical quality due to lack of expertise (Babakus 1991; Soliman (1992) found that non-technical interventions influenced patients' ratings on the overall quality of health care and perhaps more important than technical aspects. Although various techniques such as peer review or medical protocols have been recommended for evaluating technical quality, this information is not generally understood or available to patients. As a result, patients base their evaluation of quality on interpersonal and environmental factors, which medical professionals have regarded as less significant (Lam, 1997). In such cases, most patients cannot distinguish between the "caring" (functional) performance and the "curing" (technical) performance of medical care providers

IMPORTANCE OF THE STUDY

Traditionally quality of health care has been measured using professional standards and neglecting the importance of patient perception (Haddad *et al.,* 2000). Patients' perceptions are now considered to be important source of information in screening for problems and developing an effective plan of action for quality improvement in health care organization (WHO, 2004). Documentation and use of patients' perceptions, however, is still not given adequate emphasis in developing countries like India. Patient's perceptions of care directly influences his or her compliance with treatment and the continuity of patient-physician relationship and hence outcomes. Health service should be able to meet both medical and psychosocial needs. However, most often care provided is costly and substandard, and imposes a heavy financial burden on poor households (WHO, 2000). Sometimes patients' expectations are not met by professionals (Jung *et al.,* 1997). Issues of concern to patients include care givers' interaction with patients, accessibility of health services, availability of drugs and equipment, and cleanness (Haddad *et al,* 1998, 2000; Baltussen & Ye, 2006). Health services provision in India are constrained by a number of factors in terms of structure, process and outcome Out-patient department (OPD) is the gateway to almost all of the hospital services. Globally, 80% of patients are attended at OPD (WHO, 2000). India is not exceptional from these figures. It follows that if quality of outpatients services are improved a large part of health services in the country would be appreciated by many. In order to do that, it is important to establish and address factors which play a role in determining whether a patient's judgment of the health care received is positive or negative. This would help health care providers and hospital management to focus their changes on these factors and hence improve health care delivery.

OBJECTIVE OF THE STUDY

The broad objective of this study was to identify patients' perceptions of quality of outpatient services at private hospital in Kanyakumari District of South India. The sub objectives includes to find out the most responsive factors affecting the perceptions of patients regarding the OPD Services and to find out as to how much these parameters rate are as per the expectations of the patients.

STUDY AREA

The present study has been conducted in selected hospital in Kanyakumari district, Tamilnadu, Southern part of India. The study is further restricted to a private hospital from Marthandam region. The hospital provides both out- and in-patient services. It has a sixty bed-capacity and acts as a referral for primary health facilities in the region. On average the hospital outpatient department attends 80 patients per day (Hospital Annual Report, 2010).

STUDY DESIGN AND DATA COLLECTION

This was a cross sectional descriptive study using quantitative (hospital-based) Research methods. The population used in this study was outpatients at selected hospital in Kalaikkavalai. It was a cross-sectional study based on the data collected from a survey using a structured questionnaire administered by the author at hospital for 5 hours, at the same time between 10 am and 12:30 pm and 2 pm and 5:30 pm. The time period of the survey was sixteen days i.e. from 16th February to 5th March, 2010.

Exit interviews were conducted to patients who were adult males and females aged 18-80 years attending OPD services using systematic random sampling based on the projected attendances and list of attending patients for the day. A sample size of participants for survey was 128. Per day 10% of the sample was taken from the total 80 OPDs:

Population (N) : All OPD Patients
OPDs per Day : 80
Sample size: 16 Days x 8 Questionnaires = 128 (10%)

Out of 128 responded questionnaires one was incomplete. Hence 127 respondent's questionnaires were used for the analysis. Interview guide was used to explore the patients' perceptions on interpersonal relationship, technical competence of hospital staff, physical environment, adequacy of health workers, availability of medicines in the pharmacy and quality of services offered. This study used a questionnaire adopted from Haddad *et al (*1998). Exiting patients were interviewed to seek their opinions on various aspects of health care.

ETHICAL CONSIDERATION

This study was a part of the authors' internship programme. Since the Official permission was not obtained from the hospital management, the name of the hospital is masked to maintain the confidentiality.

DATA ANALYSIS

The process of data analysis followed thematic framework of analysis as described by Pope *et al.* (2000). The data was entered into a computer twice and again checked for consistency by running frequencies of all variables before being analyzed using SPSS version 17.0 software. Likert scale was used to rank the responses. Due to low number of people in the categories, the five point scale was merged into three level scale; very unfavorable and unfavorable becoming "unfavorable", neutral remaining as it is and favorable and very favorable becoming "favorable". However, the following table 1 will give the general characteristics of the data.

RESULTS

TABLE 1: GENERAL CHARACTERISTICS OF THE SAMPLE DATA

Contents		**Frequency**	**Percentage**	**Contents**	**Frequency**	**Percentage**
Gender		37	29.1%	**Occupation**		
Male		37	29.1%	Agriculture	68	53.5%
Female		90	70.9%	Employee (Govt)	10	7.8 %
Age	**Mean Age**	**Range**	**Age group 20-40**	Employee (Private)	29	23%
	32.8	8-80	50%	Small entrepreneurs	20	15.7 %
Education		**Frequency**	**Percentage**	**Distance from Hospital**		
Illiterates		15	11.8%	Within 5 Km	71	55.9%
Primary Education		45	35.4%	Above 5 Km	56	44.1%
High School		31	24.4%	**Response Rate**		
College		23	18.2%	Answer all questions	118	93%
Graduates and above		13	10.2%	Answer 90% and above questions	8	6.3%
Marital status				Below 50% questions	1	0.7%
Married		80	63%			
Unmarried		47	37%	**Total Sample**	127	

Source: Primary data

GENERAL CHARACTERISTICS OF THE SAMPLE DATA

A total of 127 participants were recruited for the present study and majority i.e. 70.9% of the respondents were female where as 29.1% were male. The overall mean age of the sample respondents was calculated and it was 32.8±1.5 years (range= 18-80 years). Out of the total respondents, 50% were in the age group 20-40 years. The majority of the respondents were married. It is found that 63.0% of the participants were married and 37% of them were unmarried by the time the primary data was collected. The questionnaire was administered to the respondents from different occupational back ground. It can be understood from the above table that 53.5% of the respondents were belongs to agriculture, 7.8% and 15.7% were belongs to government employees and small entrepreneurs respectively. The respondents of private employees with 23% were the second large occupational category after the agriculture peasants from Marthandom region. When it comes to the educational background of the respondents, majority of the respondents i.e., 35.4% had primary school education, 24.4% had higher education, 18% had college level education and 10.2% of the respondents had graduation and above education. It is important to notice that 11.8 percent of the respondents were illiterates.

The accessibility of the healthcare facility plays a major role in the delivery of the services to the patients. Therefore the study collected the data about the distance from the hospital to respondent's residency. It is found that 55.9% of respondents have been living within 5 Kilometers and 44.1% were have been living above 5 Kilometers from the hospital. The response rate of the study was 93% and the total sample of the study was 127.

VIEWS OF RESPONDENTS ON VARIOUS ASPECTS OF SERVICE QUALITY

The following table provides the views of the patients on various aspects of the OPD service quality in the hospital (Table 2). The study has taken four aspects of the service quality such as Health personnel conduct and practices, Adequacy of resources and services, healthcare delivery and financial and physical accessibility to study the out patients perception about the service quality in the hospital. As shown in the table 2, under each of these four aspects, some sub-characteristics were taken.

TABLE 2: VIEWS OF RESPONDENTS ON VARIOUS ASPECTS OF SERVICE QUALITY (N=127)

Aspect of Service Quality	Percentage in category Unfavourable-Neutral-Favourable			Aspect of Service Quality	Percentage in category Unfavourable-Neutral-Favourable		
Health personnel conduct and practices				***Health care delivery***			
Show compassion and support patients	0.8	1.6	97.6	Diagnosis services are available	15.8	5.8	78.4
Show respect for patients	0.8	1.6	97.6	Clinicians prescribe good drugs	0.8	0.8	98.4
Receives patients well	7.0	15.8	57.2	Quality of drugs is good	0.8	0.8	98.4
Is honest	0.8	0	99.2	Treatment is effective	0.8	0.8	98.4
Listens to patients adequately	0.8	1.6	97.6	**Total**	**5.8**	**0.8**	**93.4**
Does a good clinical examination	1.7	0	98.3	***Financial and physical accessibility***			
Total	**13**	**0.6**	**84.4**	Payment arrangement made	3.4	1.1	95.5
Adequacy of resources and services				Cost are affordable	7.9	3.4	88.4
Medical equipment is adequate	1.6	0	98.4	Drugs can be obtained easily	4.7	0	95.3
Rooms are adequate	3.1	0	96.9	Distance to the health facility is within reach	6.3	12.8	80.9
Waiting for consultation was not too long	29.1	15.7	55.1	Clinicians allow sufficient time for patients	3.1	0.8	96.1
Sufficient good clinicians	9.4	4.7	85.8				
Drugs are available all the time	29	8.7	62.3				
Maintenance Cleanliness	28.3	0	71.7				
Total	**8.8**	**5.0**	**86.2**	**Total**	**4.1**	**1.2**	**94.7**

Source: Primary data

The study found in the aspect of health personnel conduct and practices that the responsiveness towards receiving the patients was low in the hospital. It is found that more than the 97% of the respondents were faviurable to the other aspects of service quality such as compassion and patients' support, showing the respect towards patients, honesty of the health personnel, listening to the patient's needs and clinical examination. In general 84.4 % of participants responded favourably about the health personnel conduct and practice hospital care.

In the second aspect of service quality, 98.4% of the patients responded favourably about the adequacy of medical equipment, 96.9% of them were favourable about the adequate rooms and 85.8 of the patients responded that the hospitals has good clinicians. The study found that 29.1% percent of the patients were reported that the waiting for consultation was too long i.e. more than one hour and 29% of them reported that the drugs are not available all the time in the hospitals. The respondents were also reported that sometimes they were asked to purchase the medicine from outside medical shops. Another problem reported by the respondent in the aspect of adequacy of resources and services was the maintenance of cleanliness in the hospital. It is found that 28.3% of the respondents reported that the maintaining of the cleanliness was not good in the hospital. Over all 86.2% of the patients responded favourably about adequacy of resources and services in the hospital.

When it comes to the aspects of healthcare delivery, 98.4% of the patients responded favorably except diagnosis services of the hospital. 15.8 % of the respondents reported that the diagnosis services are not adequately available in the hospital. However the overall response to this aspect of the service quality was reported favourably by 93.4% of the patients.

The response rate to the financial and physical accessibility is quite high (94.7%) as compare to the rest of the service quality aspects (Table 2).

More than 95% of the respondents reported favourably on arrangement made for payment, easy accessibility of drugs, when they are available and the time spend by the clinicians with the patients. Cost of affordability and accessibility of hospital services have reported 88.4 and 80.9 respectively in the study.

The study found that the waiting time for consultation ranked least as only 55.1% responded favourably while 29.1% responded unfavourably. In case of responsiveness in receiving the patients, 57.2 % percent responded favorably where as 27 percent responded unfavorably. The third aspect which ranked least was the unreliable supply of drugs i.e. 62.3 percent responded favorably and 29 percent responded unfavorably. 71.7 percent of the responded favorably about the cleanliness of the hospital where 28.3 percent responded unfavorably. In case of the availability of the diagnosis services 78.4 percent responded favorably where as 15.8 percent responded unfavorably (Table 2).

CONCLUSIONS

The present study explains patients' perception of quality of outpatient care in a rural private hospital in Kanyakumari District. Patients have pointed out several shortcomings including lack of responsiveness to patients' needs, delays, unreliable supply of medicines in hospital, maintaining cleanliness and inadequate availability of diagnosis services. Health personnel conduct and practices was rated lowest with 84.4% out of four aspects of service quality. Overall respondents in hospital based study perceived quality of care at the hospital OPD as favorable.

In conclusion, this study has highlighted the importance of patients' feedback in hospital settings. The findings indicate areas for improvement including removal of poor interpersonal relationships between providers and patients, delays in provision of care, unreliable supply of medicines, maintain cleanliness and improving the availability of diagnosis services in the hospital. Addressing the identified weaknesses will improve quality of care and hence patients' perception and better health status of the population. Efforts should be put to see that hospital staff is compassionate and respecting to patients. This can be achieved by training and motivation of the staff. Continued supply of essential medicines should be maintained. The hospital administration, especially the top management should pay attention to all sections and address the gaps in order to provide the quality healthcare service to the patients.

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REDRESSAL OF CUSTOMERS' GRIEVANCES IN BANKS: A STUDY OF BANK OMBUDSMAN'S PERFORMANCE IN INDIA

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ABSTRACT

The Reserve Bank of India set up the Bank Ombudsman in year 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. The present paper aims to study the mechanism & operations of Bank Ombudsman in India and to evaluate its performance regarding the handling of complaints on the basis of selected parameters. The performance of Bank Ombudsman has been evaluated on the basis various parameters such as complaints received by ombudsman offices, region- wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of complaints, mode of disposal of complaints, pending position of complaints, cost of running the scheme, etc. for the period of 2005-06 to 2009 -10. For analysis purpose descriptive statistics such as percentage, simple growth rate and exponential growth rate have been used. The study found that there was a tremendous increase in the number of complaints filed with Bank Ombudsman during the study period. Among different categories of complaints, credit card related complaints form the major part of ttotal number of complaints. More than ninety nine percent of complaints received were disposed by mutual settlement of the parties and number of complaints pending for more than three years declined sharply. In the end, study suggested to include the more categories of complaint under the preview of ombudsman keeping in mind the new technological advancements and to popularize the scheme in rural and semi urban areas.

KEYWORDS

Banks, Complaints, Grievances, Ombudsman, Redressal.

INTRODUCTION

In the present scenario of competitive banking, excellence in customer service is the most important tool for sustained business growth. Customer service has been the challenging job in the banking industry, specifically, after the financial sector reforms and implementation of new age technology. Providing prompt and efficient service is on the top agenda of commercial banks to attract and retain the new customers. Making banks more customer-friendly has also been high on the agenda of the Reserve Bank of India. Reserve Bank of India has taken so many steps in this regard, which includes deregulation of interest rates, deregulation and setting up of ATMs, payments system initiatives like RTGS (Real Time Gross Settlement) and NEFT (National Electronic Fund Transfer), adoption of Fair Practices Code (Lender's liability), issuance of guidelines for handling of card products, implementation of code of conduct for Direct Selling Agents (DSA) and Direct Recovery Agents (DRA), setting up of a mechanism to handle the customer complaints, etc. It is the result of RBI's initiatives that today all commercial banks have their own grievance redressal cells to handle the grievances of their customers. However, sometimes, customers' complaints are not handled properly by banks, which may result in dissatisfaction to the customers. At this point of time customer is in a dilemma about where to file a complaint against the deficiency in services rendered by the banks. Courts may not be the right choice because of long time involved in settling of cases and heavy costs. Here, Reserve Bank of India has provided an alternative mechanism to handle the customers' grievances by setting up of Bank Ombudsman in India. The prime objective behind the setting up of Bank Ombudsman was to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. In India, Bank Ombudsman is in operation for more than one and half decade but its existence and working are not known to many customers (Singh, 2006).So, firstly, it is important to understand the working of Bank Ombudsman and to make the bank customers aware about its existence. It will help the bank customer to avail the maximum benefit from this institution. Secondly, it is also important to evaluate the performance of bank ombudsman regarding the handling of complaints to have an idea about the success or failure of this institution. Keeping in mind these two important aspects of Bank Ombudsman the present study has been designed i) to study the mechanism and operations of Bank Ombudsman in India and ii) to evaluate the performance of bank ombudsman for the last five years on the basis of selected parameters.

REVIEW OF LITERATURE

Not much of literature is available on the Bank Ombudsman in India. Studies which are available in this regard are generally based on working of Bank Ombudsman. Chatterjee (2007) critically evaluated various schemes of banking ombudsman schemes in operation from time to time. Singh (2006) found that majority of respondents (63%) surveyed had no knowledge about the bank ombudsman scheme irrespective of their banks and none of the surveyed respondents had ever filed a complaint with bank ombudsman. Khan (2010) suggested that attempts should be made to increase the instances of disputes being resolved by mediation/conciliation rather than by awards. Further, In the event, if ombudsman has to give an award; it must be made final and binding on the parties with only single appeal allowed to a higher court of law. As far as performance of bank ombudsman is concerned no exhaustive study has been conducted so far.

RESEARCH METHODOLOGY

For the first objective of the study, 'Bank Ombudsman schemes 1995, 2002 and 2006' have been studied minutely to understand the working of Bank Ombudsman. These schemes are issued by Reserve Bank of India from time to time and are available on RBI's official site (www.rbi.org.in). For the second objective, secondary data has been compiled from 'The Banking Ombudsman Scheme-2006-Annual report', which is published by Reserve Bank of India every year. To analyze the performance of Bank Ombudsman various parameters such as complaints received, region- wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of complaints, mode of disposal of complaints, pending position of complaints , cost of running the scheme, etc. have been selected. The period of study pertains to 2005-06 to 2009-10 '. For analysis purpose, descriptive statistics tools such as percentages, simple growth rates and exponential growth rates have been used. Simple growth rate is just year to year growth and has been calculated by using formula; $g = (y_t - y_{t-1})/y_{t-1}*100$ where, g = simple growth rate, y_t = value of variable y in current year, y_{t-1} = value of variable y in previous year. Exponential growth rate is simply compounded growth rate but unlikely the compound growth rate; it is worked out for a period on the basis of the value of a variable for all the years. In this case, least square trend is fitted for given years and given values of the variable. The exponential equations used for this purpose are as under:

$Y_e = ab^t$ (I)

Where, $b = (1+g)/100$ (II)

Y_e is the computed value of concerned variables, a and b are the estimates, t is the time period and g is the growth rate

In semi –logarithmic form, the equation (I) takes form;

$\text{Log } y_e = \log a + t \log b$ (III)

The present equation is known as semi- logarithmetic equation which gives the straight line. However, on arithmetic chart the curve gives a nonlinear trend. From this semi- logarithmetic equation, we get the estimated values of log a and log b. The growth rate obtained from equation (II) is;

$g = (b-1) \times 100$,

$g = [\text{antilog } (\log b)-1] \times 100$

GENERAL FRAMEWORK OF BANK OMBUDSMAN IN INDIA

According to the Concise Oxford Dictionary 2000 (New Edition), the word 'ombudsman' means "an official appointed by Government to investigate individual's complaint against public authority etc." In other words, the institution of 'ombudsman' when appointed is to look into or investigate into the complaint against the 'public body' made by the public, who are adversely affected or their interest is jeopardised due to laxity or deficiency of services, so rendered by 'public body'(Khan,2010).

In the banking sector, there are different types of customers' grievances which may vary on one ground to another. Number of complaints are filed every day with the banks because of which banking sector is constantly under criticism by press, public and estimate committees. Various committees, commissions and working groups were formed to look into the issue of customer service since 1972 such as Banking Commission headed by Sri R.G. Seraiya, Sri. R.K.Talwar Committee, Goiporia Committee etc. Though, banks have implemented the recommendations to greater extent still there is no perceptible change in the quality of customer services and still the deficient areas are clearly visible and the customer remain dissatisfied (Khan,2010). Narasimhan Committee on "Banking and Financial Sector Reforms" examined these different areas of customer service and recommended introduction of the "Banking Ombudsman Scheme 1995". RBI accepted the recommendation and as a part of banking policy, Dr. C. Rangarajan, Governor, announced the 'The Banking Ombudsman Scheme' on June 14, 1995 under the Section 35A of Banking Regulation Act 1949. The main purpose of this scheme was to provide an expeditious and in expensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by scheduled commercial banks, regional rural banks and scheduled primary co-operative banks. With the change in time and adoption of new technology at large by banks, RBI modified this scheme in the year of 2002, 2006, 2007 and 2009 to include consumer complaints on new areas such as credit card complaints, internet banking complaints, deficiencies in providing the promised services by both bank and its sales agents, levying service charges without prior notice to the customers, non- adherence to the Fair Practices Code adopted by individual banks, etc. At present Bank ombudsman scheme 2006 is in force with amendments in the year of 2007 and 2009. The subsequent paragraphs will throw the light on working of Bank Ombudsman in India.

APPOINTMENT AND TENURE OF BANK OMBUDSMAN

Under the 2006 Scheme, it is stipulated that the RBI may appoint one or more officers in the rank of Chief General Manager or Manager to be known as Banking Ombudsman to carry out the functions entrusted to them by or under the scheme[7]. This appointment is made for the period not exceeding three years. For effective implementation of this scheme Reserve Bank of India has set up fifteen Bank ombudsman offices across the country.

PROCEDURE FOR FILING THE COMPLAINTS

Any person who has a grievance against a bank on any one or more of the grounds mentioned in Clause 8 of the scheme (see Box:1) may, himself or through his authorized representative (other than an advocate), make a complaint to the Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located[8]. The addresses of all fifteen Bank Ombudsman offices along with their e-mails are available online (www.bankingombudsman.rbi.org.in). It is important to note here that complainant can approach to the bank ombudsman only if the complaint is rejected by bank or the reply to his complaint is not received from the bank concerned within the period of one month or complainant is not satisfied with the reply given by bank. The complaint does not have to be in any specific format. If one does not know how to go about his / her complaint, the scheme provides a standard format for lodging complaints. However, one may also use his/ her own format to file a complaint. One may also file complaint electronically at www.bankingombudsman.rbi.org.in . At the time of filing a complaint, the complaint must clearly make out three things: i) The facts giving rise to complaint ii) The extent of loss caused to the complainant iii) The relief sought from the banking ombudsman.[9] As far as cost is concerned the Bank Ombudsman does not charge any fee for resolving customers' complaints.

BOX: 1 GROUNDS OF FILING A COMPLAINTS WITH BANK OMBUDSMAN[10]

The Banking Ombudsman can consider complaints relating to the following deficiency in banking services as mentioned in the clause 8 of the sche

- ✓ Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.
- ✓ Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof;
- ✓ Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof;
- ✓ Non-payment or delay in payment of inward remittances ;
- ✓ Failure to issue or delay in issue of drafts, pay orders or banks' cheques;
- ✓ Non-adherence to prescribed working hours ;
- ✓ Failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents;
- ✓ Delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the RBI directives, if any, applicable to rate of
- ✓ interest on deposits in any savings, current or other account maintained with a bank ;
- ✓ Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters;
- ✓ Refusal to open deposit accounts without any valid reason for refusal;
- ✓ Levying of charges without adequate prior notice to the customer;
- ✓ Non-adherence by the bank or its subsidiaries to the instructions of RBI on ATM/Debit card operations or credit card operations;
- ✓ Non-disbursement or delay in disbursement of pension
- ✓ Refusal to accept or delay in accepting payment towards taxes, as required by RBI/Government;
- ✓ Refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;
- ✓ Forced closure of deposit accounts without due notice or without sufficient reason;
- ✓ Refusal to close or delay in closing the accounts;
- ✓ Non-adherence to the fair practices code as adopted by the bank and
- ✓ Non-adherence to the provisions of the Code of Bank's Commitment to Customers issued by BCSBI and as adopted by the bank
- ✓ Non-observance of RBI guidelines on engagement of recovery agents by banks; and
- ✓ Any other matter relating to the violation of the directives issued by the RBI in relation to banking or other services.

The BO may also deal with any complaint on any one of the following grounds alleging deficiency in banking service in respect of loans and advances:

- Non- observance of RBI Directives on interest rates;
- Delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;
- Non- acceptance of application for loans without furnishing valid reasons to the applicant; and
- Non- observance of any other direction or instruction of the RBI, as may be specified by the RBI for this purpose, from time to time

REJECTION OF COMPLAINT

The Banking Ombudsman may reject a complaint at any stage if it appears to him that a complaint made to him is: i) frivolous, vexatious, mala fide or without any sufficient cause or ii) that it is not pursued by the complainant with reasonable diligence or iii) in the opinion of Banking Ombudsman there is no loss or damage or inconvenience caused to the complainant or iv) beyond the pecuniary jurisdiction of Banking Ombudsman or v) in the opinion of the Banking Ombudsman the complicated nature of the complaint requires consideration of elaborate documentary and oral evidence and the proceedings before him are not appropriate for adjudication of such complaint.[11]

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[7] Clause 4(1), 'Banking Ombudsman Scheme 2006', Reserve Bank of India
[8] Clause 9(1), *Ibid.*
[9] Clause 9(2)(a), *Ibid.*
[10] Clause (8), Banking Ombudsman Scheme 2006', Reserve Bank of India
[11] Clause 13, *Ibid.*

SETTLEMENT OF DISPUTES

On the receipt of a complaint, the first objective of the ombudsman is to promote a settlement of the complaint by agreement between the complainant and the bank through conciliation or mediation. If the complaint is not settled by agreement within a period of one month from the date of the receipt of the complaint, the Ombudsman shall pass an award after giving the reasonable opportunity to the parties for presenting their case. In passing the award, the ombudsman shall be guided by the documentary evidence placed before him by the parties, the principle of banking law and practice, directions issued by the RBI etc.

The award passed shall contain the direction/s, if any, to the bank for specific performance of its obligations and in addition to or otherwise, the amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant, arising directly out of the act or omission of the bank[12].

After an award is passed, its copy is sent to the complainant and the bank named in the complaint. It is open to the complainant to accept the award in full and final settlement of his complaint or to reject it. If the award is acceptable to the complainant, he is required to send to the bank concerned, a letter of acceptance of the award in full and final settlement of his complaint, within a period of 15 days from the date of receipt of the copy of the award by him.

The Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh rupees whichever is lower. However, in the case of complaints, arising out of credit card operations, the Banking Ombudsman may also award compensation not exceeding Rs. 1 lakh to the complainant, taking into account the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant.

APPEAL BEFORE THE APPELLATE AUTHORITY AND REVIEW OF THE AWARD

The 1995 scheme had no provision for the review of the ombudsman's award. However, under the 2002 scheme, a Review Authority was established. The appellate authority is the Deputy Governor in the Reserve Bank of India. Either party aggrieved by the award may, within 45 days of the date of receipt of the award, appeal against the award before the appellate authority. The appellate authority may, if he is satisfied that the applicant had sufficient cause for not making an application for appeal within time, also allow a further period not exceeding 30 days. The Appellate Authority , after giving the parties a reasonable opportunity of being heard may i) dismiss the appeal; or ii) allow the appeal and set aside the award; or iii) send the matter to the Banking Ombudsman for fresh disposal in accordance with such directions as the appellate authority may consider necessary or proper; or iv) modify the award and pass such directions as may be necessary to give effect to the modified award; or v) pass any other order as it may deem fit. [13]

AWARENESS OF THE SCHEME

For greater awareness of the scheme it is now mandatory for the banks to ensure that the purpose of the scheme and the contact details of the Banking Ombudsman to whom the complaints are to be made by the aggrieved party should be displayed prominently in all the offices and branches of the bank in such a manner that a person visiting the office or branch has adequate information of the scheme.

BANK OMBUDSMAN'S PERFORMANCE IN INDIA

The second part of the paper analyses the performance of Bank Ombudsman in India on the basis of selected parameters. The performance of Bank Ombudsman has been analysed in the following paragraphs.

COMPLAINTS RECEIVED BY THE BANK OMBUDSMAN OFFICES

Bank Ombudsman offices receive complaints from persons against the deficiency in banking services throughout the year. Complaints received by BO for the period of 2005-06 to 2009-10 are shown in Table I

TABLE I: NUMBER OF COMPLAINTS RECEIVED BY THE BANK OMBUDSMAN OFFICES FOR THE PERIOD 2005-06 TO 2009-10

Period	Number Bank Ombudsman Offices	No. of complaints received during the year	Rate of increase over previous year (%)	Average per office
2005-06	15	31,732	200.49	2115.47
2006-07	15	38,638	21.76	2575.87
2007-08	15	47,887	23.94	3192.47
2008-09	15	69,117	44.33	4607.80
2009-10	15	79,266	14.68	5284.40
Growth Rate (%)	24.1			

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated

Table I shows that there has been a tremendous growth in the complaints filed with the Bank Ombudsman. Total number of complaints increased from 31732 in the year of 2005-06 to 79266 in the year of 2009-10 by registering the overall growth rate of 24.1 per cent. This substantial growth has been attributed to the inclusion of new grounds of complaints such as complaints relating to credit card issues, failure in providing the promised facilities, non-adherence to fair practices code and levying of excessive charges without prior notice, etc. in the scheme. Year-wise analysis shows that highest growth rate has been recorded in the year of 2005-06 (200.49%) followed by the year 2008-09 (44.33%). Such increase in the year of 2005-06 is due to the fact that the new 'Bank Ombudsman Scheme 2006' was introduced in the mentioned year with various amendments. Similarly, complaints related the internet banking were included in the scheme in the year of 2008-09, which had led to such growth. Table further shows that average number of complaints handled by Bank Ombudsman increased from 2115.47 in the year of 2005-06 to 5284.40 in the year of 2009-10 mainly due to the enlargement of the scheme.

BANK GROUP-WISE RECEIPT OF COMPLAINTS

The scope of 'Bank Ombudsman Scheme 1995' was limited to the complaints relating to deficiency in banking services provided by scheduled commercial banks (i.e. Nationalized Banks, SBI Group, Private Sector Banks and Foreign Banks) and scheduled primary co-operative banks. Later , to expand the base of the scheme, regional rural banks were also brought under the preview of Bank Ombudsman in the '*Bank Ombudsman Scheme 2002*'. Bank group –wise receipt of complaints has been shown in Table II.

Table II shows that total number of complaints filed against Nationalized Banks, SBI Group, Private Sector Banks and Foreign Banks increased substantially during the study period, whereas complaints slightly declined in case scheduled primary co-operative banks , regional rural banks and 'others'. Among different bank groups, complaints filed against 'foreign banks' registered the highest growth rate of 38.0 per cent followed by private sector banks (33.0%), SBI Group (21.6%), nationalized banks (16.1%) and regional rural banks (4.30%). On the other hand, 'scheduled primary co-operative banks' and 'others' registered negative growth rate of -1.0 per cent and -12.00 per cent respectively in this regards. The positive growth rate in case of regional rural banks shows the penetration of the scheme in rural areas up to some extent. Table further reveals that proportion of individual bank groups in total number of complaints received declined in case of nationalized banks and SBI group during the first four years of the study (i.e. 2005-06 to 2008-09). However, this proportion increased in last year of the study i.e. 2009-10 in case of both 'nationalized banks' as well as 'SBI Group'. Contrary to this, the percentage share in total number of complaints receipt continuously increased in case of 'private sector banks' and 'foreign banks' for period of 2005-06 to 2008-09 whereas it decreased in the year of 2009-10. In case of rest of the categories mixed trend has been observed in this regard.

TABLE II: BANK-GROUP-WISE RECEIPT OF COMPLAINTS FOR THE PERIOD 2005-06 TO 2009-10

Period	**Bank Group**							
	Nationalized Banks	**SBI Group**	**Private Sector Banks**	**Foreign Banks**	**Scheduled Primary Co-op. Banks**	**RRBs**	**Others**	**Total**

[12] Clause 12(4), *Ibid*.
[13] Clause 14(2), Banking Ombudsman Scheme 2006', Reserve Bank of India

2005-06	10,137 (30.38)	9,892 (29.65)	6,754 (20.24)	2,997 (8.98)	198 (0.59)	794 (2.38)	2,591 (7.77)	33,363 (100.00)
2006-07	10,543 (27.29)	11,117 (28.77)	9,036 (23.39)	3,803 (9.84)	313 (0.81)	536 (1.39)	3,290 (8.51)	38,638 (100.00)
2007-08	12,033 (25.13)	13,532 (28.26)	14,077 (29.40)	6,126 (12.79)	295 (0.62)	826 (1.72)	998 (2.08)	47,887 (100.00)
2008-09	14,974 (21.66)	18,167 (26.28)	21,982 (31.80)	11,700 (16.93)	302 (0.44)	846 (1.22)	1,146 (1.66)	69,117 (100.00)
2009-10	19,092 (24.09)	22,832 (28.80)	22,553 (28.45)	11,450 (14.45)	183 (0.23)	785 (0.99)	2,371 (2.99)	79,266 (100.00)
Growth Rate (%)	**16.1**	**21.6**	**33**	**38**	**-1**	**4.30**	**-12**	**24.1**

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated. Figures in parenthesis represent percentage to total

CATEGORY-WISE RECEIPT OF COMPLAINTS

The grounds on which a person can file complaints with Bank ombudsman have been enumerated in Clause 8 of the Banking Ombudsman Scheme 2006. There are twenty seven grounds of deficiency in service on which bank ombudsman may receive the complaints. Category wise receipt of complaints has been highlighted in Table III.

Table shows that the total number of complaints received increased tremendously in case of all the categories except for complaints regarding deposit during the study period. Complaints relating to 'Failure to meet commitments' increased at a growth rate of 68.00 per cent during the period of 2005-06 to 2009-10, which is highest among all categories of complaints. It is followed by 'Pension' (51.30%), 'Credit cards' (32.30%), 'others' (23.8%), 'Charges without notice' (20.70%). It is worth mentioning here that complaints regarding 'deposits' registered a negative growth rate of -10.00 per cent, which shows that customers prefer to resolve complaints at bank level itself.

Though the proportion of complaints relating to credit cards declined to 24.73 per cent of the total complaints in 2009-10 as compared to 25.53 percent in the previous year yet it forms the highest per cent share in the total number of complaints in the same year.

TABLE III: CATEGORY-WISE RECEIPT OF COMPLAINTS FOR THE PERIOD 2005-06 TO 2009-10

Category of complaints	**Period**					**Growth rate (%)**
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	
Deposit accounts	6733 (20.18)	5803 (15.02)	5,612 (11.72)	6,706 (9.70)	3,681 (4.64)	-10.00
Remittances	3058 (9.17)	4058 (10.50)	5,213 (10.89)	5,335 (7.72)	5,708 (7.20)	15.20
Credit cards	*	7688 (19.90)	10,129 (21.15)	17,648 (25.53)	18,810 (23.73)	32.30
Loans and advances	5215 (15.63)	5152 (13.33)	6,054 (12.64)	8,174 (11.83)	6,612 (8.34)	9.30
Charges without notice	*	2594 (6.71)	3,740 (7.81)	4,794 (6.94)	4,764 (6.01)	20.70
Pension	*	1070 (2.77)	1,582 (3.30)	2,916 (4.22)	4,831 (6.09)	51.30
Failure to meet commitments	*	1469 (3.80)	6,388 (13.34)	11,824 (17.11)	11,569 (14.60)	68.00
DSAs and recovery agents	*	1039 (2.69)	3,128 (6.53)	3,018 (4.37)	1,609 (2.03)	12.70
Notes and coins	*	130 (0.34)	141 (0.29)	113 (0.16)	158 (0.20)	3.60
Others	18357 (55.02)	9636 (24.94)	5,900 (12.32)	8,589 (12.43)	18,840 (23.77)	23.80
Out of Subject	*	*	*	*	2,684 (3.39)	
Total	33363 (100)	38639 (100)	47887 (100	69117 (100)	79266 (100.00)	

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated .Figures in parenthesis represent percentage to total

** Either data is not available or included in 'Others'*

This category also includes complaints related to debit cards and ATM cards. The types of card-related complaints consists of items like issuance of unsolicited credit cards and unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' card and issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, abusive calls, excessive charges, wrong debits to account, non dispensation of money from ATM, etc. The proportion of complaints to the total number of complaints filed in case of category 'others' increased continuously since 2007-08 onwards. It increased to 23.77 per cent in the year of 2009-10 as compare to 12.43 per cent in the previous year. The category labeled as 'others' mainly include complaints of non-adherence to prescribed working hours, refusal to accept or delay in accepting payments towards taxes as required by RBI/ Government of India, refusal to accept/delay in issuing or failure to service or delay in servicing or redemption of Government securities, refusal to close or delay in closing of accounts, etc. Complaints relating to failure on commitments made (non-adherence to fair practices code as adopted by the bank, failure to provide or delay in providing banking facilities other than loans and advances etc.) is another major category of complaints as far as the percentage share in total number of complaints is concerned, however, the share declined in the year of 2009-10(14.60%) as compared to previous year (17.11 %).

REGION-WISE RECEIPT OF COMPLAINTS BY BANK OMBUDSMAN

Receipt of complaints from different regions such as rural, semi urban, urban, metropolitan can be the important performance indicator of bank ombudsman's performance as it shows the efforts of Bank Ombudsman to popularise the scheme in different regions. Total number of complaints received by Bank Ombudsman from different regions has been shown in Table No IV Table shows that complaint from the rural areas recorded the highest growth rate of 54.50 per cent as total number of complaint increased from 8418 in the year of 2007-08 to 25,055 in the year of 2009-10. It is followed by semi urban (24.0%), urban (20.10%) and metropolitan (10.60%) regions. Another important observation is that the percentage share of complaints from rural areas to total number of complaints increased from 17.58 per cent (2007-08) to 31.61 per cent (2009-2010) but the share remained to one -third of the total number of complaints. On the other hand, this share has been declining in case of urban and metropolitans during the same period.

TABLE IV: REGION-WISE RECEIPT OF COMPLAINTS BY BANK OMBUDSMAN FOR THE PERIOD 2007-08 TO 2009-10

Region	Period*			Growth Rate (%)
	2007-08	2008-09	2009-10	
Rural	8418 (17.58)	13915 (20.13)	25,055 (31.61)	54.50
Semi Urban	6641 (13.87)	9817 (14.20)	10,741 (13.55)	24.00
Urban	10,978 (22.92)	15,723 (22.75)	16,423 (20.72)	20.10
Metropolitan	21,850 (45.63)	29,662 (42.92)	27,047 (34.12)	10.60
Total	47,887 (100.00)	69,117 (100.00)	79,266 (100.00)	

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated
Figures in parenthesis represent percentage to total
**Data for period 2005-07 is not available*

The noticeable response from the rural areas may be attributed to the success of the awareness efforts undertaken by the offices of the Banking Ombudsman as well as the RBI regional offices through personal/village visits, media campaign, etc. Recently, the RBI had celebrated its platinum jubilee and all offices including Central Office Departments had conducted outreach programmes. Further, top executives of the bank visited very remote and moffusil areas of the country as a part of outreach activity of Platinum Jubilee year celebrations.

MODE-WISE RECEIPT OF COMPLAINTS AT THE BANK OMBUDSMAN OFFICES

There are different modes available to the complainant to file a complaint with Bank Ombudsman. These include e-mail, online, letter, post-card, fax, etc. Complainants can log on to the RBI web site at 'www.bankingombudsman.rbi.org.in' and complain about deficiency in bank's services by using the online complaint form. The email ids of the Banking Ombudsmen are also available in the public domain and complainants can send emails to them. For those who have no access to internet, complaints can be sent by post. Different mode wise filing of complaints has been shown in Table V

TABLE V: MODE- WISE RECEIPT OF COMPLAINTS AT THE BO OFFICES FOR THE PERIOD 2007-08 TO 2009-10

Mode	Period*			Growth Rate (%)
	2007-08	2008-09	2009-10	
Email	7183 (15.00)	15,927 (23.04)	9221 (11.63)	12.14
On Line	7662 (16.00)	9352 (13.53)	11,400 (14.38)	19.80
Letter, post-card, Fax, etc.	33,042 (69.00)	43,838 (63.43)	58,645 (73.99)	28.60
Total	**47,887 (100.00)**	**69,117 (100.00)**	**79,266 (100.00)**	

*Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated. Figures in parenthesis represent percentage to total .*Data is available from 2007-08 onwards*

Table shows that filing of complaints through letter, post-card, fax, etc. has increased from 33,042 in year of 2007-08 to 58,645 in the year of 2009-10 by registering the growth rare of 28.60 percent, which is highest among all the modes. It is being followed by online (19.80 %) and E-mail (12.14%). Moreover, the percentage share of letter, post-card, fax, etc. in total complaints has been rising continuously since 2007-08 as increased from 69.0 per cent (2007-08) to 73.99 per cent (2009-10). On the contrary, the percentage share of complaints through 'e-mail' and 'online' declined from 15.00 per cent to 11.63 per cent and from 16.00 per cent to 14.38 per cent respectively during this period. The increase in percentage share of complaints from rural areas led to increase in use of letters and post cards,which is also indicating the less access to internet facilities in the rural/semi urban areas as compared to the urban and metro.

DISPOSAL OF COMPLAINTS BY BANK OMBUDSMAN

The speedy disposal of complaints is one of the most important indicators of the performance of bank ombudsman. As per scheme there are three ways to dispose of the complaints. These are rejection of complaint, disposal by award and disposal by settlement. Performance of bank ombudsman relating disposal of complaints has been depicted in Table VI

TABLE VI: DISPOSAL OF COMPLAINTS BY BANK OMBUDSMAN FOR THE PERIOD 2005-06 TO 2009-10

Particulars	Period					Growth Rate (%)
	2005-06	2006-07	2007-08	2008-09	2009-10	
Complaints received during the year including complaints brought forward from previous year	33363	44766	54992	75009	88,699	24.7
Total number of complaints disposed of including rejected*	27193 (81.51)	37661 (84.13)	49100 (89.29)	65576 (87.42)	83,336 (93.95)	27.9
Total number of complaints disposed of excluding rejected*	14889 (44.63)	22150 (49.48)	29365 (53.40)	22461 (29.94)	31,489 (35.50)	14.9
Total number of complaints rejected*	12304 (36.88)	15511 (34.65)	19735 (35.89)	43115 (57.48)	51847 (58.45)	38.9
Disposal by Award**	146 (0.98)	84 (0.38)	70 (0.24)	73 (0.33)	211 (0.67)	5.9
Disposal by settlement**	14743 (99.02)	22066 (99.62)	29295 (99.76)	22388 (99.67)	31,278 (99.33)	15.3
Complaints carried forward to next year *	6170 (18.49)	7105 (15.87)	5892 (10.71)	9433 (12.58)	5,363 (6.05)	0

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated
** Figures in parenthesis represent percentage to total Complaints received during the year including complaints brought forward from previous year*
*** Figures in parenthesis represent percentage to Total number of complaints disposed of excluding rejected*

Table VI reveals that total number of complaints including brought forward from the previous years increased to 88,699 in the year of 2009-10 as compare to 333,63 in the year of 2005-06 by registering the growth rate 24.7 per cent. During the study period, the proportion of total number of complaints disposed of (including rejected) to complaints received during the year (including complaints brought forward from previous year) increased from 81.51 per cent in the year of 2005- 06 to 93.95 per cent in the year of 2009 -10. It is indicating the promptness in disposal of cases at all the BO offices. Total number of rejected complaints has increased from 12304 to 51847 by registering the growth rate of 38.9 per cent over the study period. As a result percentage of total number of complaints disposed of excluding rejected has declined from 44.63 per cent to 35.50 per cent during this period. The most highlighting feature of ombudsman's performance is that disposal of complaints by settlement remained more than 99 per cent during all the years of study along with the healthy growth rate of 15.3 per cent. On the other hand, deposal by way of awards remained less than one per cent of the total number of complaint disposed of and number of award issued has just increased by 5.9 per cent i.e. from 146 in the year 2005-06 to 211 in the year 2090-10. Lesser number of awards issued by the Bank Ombudsman offices may be attributed to the bank's attempt to resolve the complaints before issue of awards, since receipt of awards is considered as un-desirable. Further, conciliation meetings which enable two parties to meet "face to face" have played an important role in the process of resolution of complaints. Although, Banking Ombudsman does not force parties to come to settlement, such meetings facilitate them to come to their own solution rather than have a solution imposed on them by way of an award. Hence, the objective of the Bank Ombudsman scheme (expeditious and inexpensive resolution of customer complaints without having to examine elaborate documentary evidences) seemed to be satisfactorily achieved to a large extent by promoting settlement by mutual consent. Last but least the percentage of complaints carried forward to next year declined from 18.06 per cent in the year 2005-06 to 6.05 per cent in the year 2009-10 with zero percent growth rate.

PENDENCY OF COMPLAINTS WITH BANK OMBUDSMAN OFFICES

The number of pending complaints with Bank Ombudsman offices and period of pendency can be another performance indicator of ombudsman's performance. Table VII shows the time span wise pending position of complaints at bank ombudsman offices.

Table VII highlights that there was a sharp decline in the pending complaints having pending period of more than 3 months. During the study period, pending complaints having period of more than three months sharply declined from 1,605 (2005-06) to 242 (2009-2010) by registering a negative growth rate of – 48.00 per cent. Further, proportion of this category in total pending complaints declined considerably from 26.01 per cent to 4.51 per cent during the same period. A marginal decline was also observed in case of complaints pending for the period of 2-3 months having negative growth rate of -3.00 per cent. This indicates substantial improvement in prompt disposal of complaints due to the close follow-up, both by the Bank Ombudsman offices and top management. On the other hand, pending complaints up to one month increased to 2,787 in the year 2009-10 as compared to 1,699 in the year 2009-10. The complaints not accompanied by documentary evidence, unusually long time given to the concerned banks to respond to queries, etc. mostly contributed to the delay in disposing of the complaints.

TABLE VII: PENDING POSITION OF COMPLAINTS AT BO OFFICES FOR THE PERIOD 2005-06 TO 2009-10

Period of pending	Period					Growth rate (%)
	2005-06	2006-07	2007-08	2008-09	2009-10	
Up to 1 month	1699 (27.54)	2262 (31.84)	2712 (46.03)	5041 (53.44)	2787 (51.97)	17.9
1-2 months	1885 (30.55)	1936 (27.25)	1394 (23.66)	2751 (29.16)	1526 (28.45)	0.0
2-3 months	981 (15.90)	943 (13.27)	861 (14.61)	956 (10.13)	808 (15.07)	-3.0
More than 3 months	1605 (26.01)	1964 (27.64)	925 (15.70)	685 (7.26)	242 (4.51)	-48.0
Total	6170 (100.00	7105 (100.00)	5892 (100.00)	9433 (100.00)	5363 (100.00)	0.0

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rates are self calculated
Figures in parenthesis represent percentage to total

COST OF HANDLING COMPLAINTS AT BANK OMBUDSMAN OFFICES

The total cost of handling the complaints includes the revenue expenditure and capital expenditure incurred in running the Banking Ombudsman offices. The revenue expenditure consists of the establishment items like salary and allowances of the staff attached to Banking Ombudsman offices and non-establishment items such as rent, taxes, insurance, law charges, postage and telegram charges, printing and stationery expenses, publicity expenses, depreciation and other miscellaneous items. The capital expenditure items include the furniture, electrical installations, computers/ related equipments, telecommunication equipments and motor vehicle. Initially, the total expenditure in operationalizing the Banking Ombudsman Scheme was shared by the banks, in the proportion of their working funds, up to December 2005. From January 1, 2006 onwards the expenditure is fully borne by RBI in terms of the revised Banking Ombudsman Scheme, 2006. The total cost of the scheme and cost per complaint has been shown in Table VIII

TABLE VIII: COST OF HANDLING COMPLAINTS AT BANK OMBUDSMAN OFFICES

Period	Total Cost (Rs. Cr)	No. of Complaints disposed of	Cost per Complaint (Rs)
2005-06	8.12	27193	2986
2006-07	9.81	37661	2604
2007-08	12.5	49100	2546
2008-09	15.29	65576	2331
2009-10	19.74	83336	2368
Growth rate (%)	**27.9**		

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rates are self calculated

Table VIII shows that total cost running the bank ombudsman offices increased in absolute terms, from 8.12 Cr to 19.47 Cr by registering the growth rate of 27.9 per cent during the study period. The cost per complaint disposed maintained the same level during this period because of increase in number of complaints disposed of.

DISCUSSION AND CONCLUSION

There has been a substantial increase in the number of complaints received by the Bank Ombudsman offices which shows the increased faith of customers in Bank Ombudsman. Bank group wise, there has been increase in number of complaints filed in case of all scheduled commercial banks. However, primary co-operative banks and regional rural banks constitute very nominal share in total number of complaints, which shows that this scheme has yet to take momentum in these banks. Among different categories of complaint substantial increase has been noticed in case of complaints relating to credit cards and these complaints form the major part of total number of complaints. It shows that the credit card related problems are becoming serious day by day. Another reason for such increases is entitlement of compensation on grounds of the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant. As far as disposal of complaints is concerned more than ninety nine percent complaints are disposed by mutual settlement of the parties concerned which well explains the role and motive of the bank ombudsman. Decline in duration of pending complaints also narrates the efficiency of ombudsman in disposal of complaints. Another step taken by RBI to allow the complainant to file the complaint through online mode seems to be successful as more that one-fourth of total complaints are filed through this mode. Though there is an increase in number of complaints from the rural areas but it does not seem to be up to the mark. Improving accessibility of the scheme to the rural poor by having more offices in rural areas is need of the day. Further the scope of Bank Ombudsman is limited to twenty seven grounds on which a customer can file a complaint against bank. In fact, there is dire need to expand the scope of ombudsman in changing IT environment. The ombudsman can be given certain powers to recommend to the RBI to take coercive action against the bank which is found to be violating any banking law or regulation. To conclude, the customer will definitely file a complaint with ombudsman regarding his grievance, if he is aware about Bank Ombudsman.

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EXCELLENT PRACTICES AMONG BANKS FOR INCLUSIVE GROWTH – EMPIRICAL EVIDENCES FROM RECENT LITERATURE SURVEY

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ABSTRACT

Excellency in management practices is bestowed by innovations which go well with the dynamic business situation. It's noting but fruitful utilization of all resources to excel. Innovation is the product of dynamic business situation, a place with high competition, rules and regulations. In any system the technology is the emblematic drive to dynamics, combined by liberalization, globalization, financial deregulation, public policies towards financial markets & financial inclusion strategies, which are the slogan of the hour. Under the topic Excellent Practices among Banks for Inclusive Growth the author takes an effort to bring out excellent practices at banks for inclusive growth by conducting a recent literature sample survey. All innovation done, to face competition and to over come barriers, the government restriction can not be treated as best practices as each and every innovation posses its own risk, it doesn't mean that we should stop financial innovation. Instead we should manage those risks properly, which turns the financial innovations into Excellent Practices. These excellent practices will make institution grow, societies around it develop, country will prosper and ultimately global growth and boom. For the said study researcher is using secondary data gather from financial updates, banks working paper, other financial report & survey reports. The study is descriptive and analytical in nature. It's apt to conduct a study on Excellent Practices among Banks for Inclusive Growth - Empirical evidences from recent literature survey, as it is the need of the hour. To achieve millennium development goals and also to achieve superpower 2020 status it's essential to be abreast with the knowledge of financial inclusion initiative.

KEYWORDS

financial innovations, banking, libralisation, business.

INTRODUCTION

Excellency in management practices is conferred by innovations which go well with the dynamic business situation. It's noting but fruitful utilization of all resources to excel. In financial aspect the inclusive growth means, increasing incomes for excluded groups through holistic inclusion and rapid economical growth. Indian economy in general and financing services in particular have made rapid growth in the recent past. However, a sizeable section of the population, particularly the weaker sections and low income groups, continue to remain excluded from even the most basic opportunities and services provided by the financial sector. Not only poor certain sections of the society remain excluded due to lack of customized product/process or approaches. Around 2.7 billion adults in developing countries do not have a basic bank account [CGAP 2009a]. As per Indian finance minister financial inclusion is the key to inclusive growth strategy. *Eleventh plan* laid a great emphasis on inclusive growth. The *Millennium Development Goals* can be achieved only through inclusive growth strategy. It's prudent to conduct a study on Excellent Practices among Banks for Inclusive Growth as it provide poor people access to apt and affordable financial product and benefit the bank to gain rapid growth.

RELATED LITERATURES

Is micro finance a profit maximizing industry or a social business – some evidences from recent literature survey- *syed khaja safiuddin,* assistant professor, department of management and commerce Maulana Azad National Urdu university, Hyderabad, India innovative **financial inclusion** –principles and report on innovative financial inclusion from the access through innovation sub-group of the G20 financial inclusion experts group 25 may, 2010[ATISG]. **Islamic banking in India** –Riyaz Vorah great lakes institute of management Chennai discuss on future potential of Islamic banking, ADB financial sector development mention on sustainable private sector led growth. **Retail Financial Innovation-**North Carolina Bankers Association,109th Annual Convention, June 14, 2005, Jeffrey M. Lacker, President, Federal Reserve Bank of Richmond, paper discuss on retail consumer finance. **Financial inclusion in the UK**: Review of policy and practice by Lavinia Mitton 2009. **ICICI Foundation for Inclusive Growth Quarterly Newsletter Dec, 2010**- discuss Making India's growth more inclusive. **Principles for a successful future of banking in Europe European Banking** Federation. **Financial Inclusion-Reflections from experience of Alternative for India Development-** Dr.Kumaraswamynadar Thirunavukkarasu (K.T.Arasu)- Director, Alternative for India Development. **NABARD's Initiative for Financial Inclusion- 25 August 2009-** Discuss on financial inclusive initiatives-pilot projects, models, and financial literacy programs

RESEARCH GAP & OBJECTIVES

There are many researches on micro finance issue, challenges, it mission & so on. In banking if scan through the paper we can find studies on financial inclusion (FI) principle, FI policies, FI innovations, FI foundations & FI reflections from experience. Some of the studies are on review of FI policy and practice, but there is dearth for study on Excellent Practices among Banks for Inclusive Growth.

OBJECTIVES

1. Find out excellent practices among banks for inclusive growth.
2. Bring out the aspects of inclusive growth
3. Discuss & justify practices as excellent inclusive growth practices

METHODOLOGY, DATA COLLECTION & LIMITATION

Descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time. **IRB, Thesis Handbook.** Inclusive growth in financial sector is at the point of transition from the introductory stage to the growth stage of product life cycle, researcher as planned to collect data from the secondary sources[like working papers, survey reports and websites of financial market and financial institutions]through literature survey method based on significance. The study reveals the excellent practices of only those institutions which the researcher has selected through literature survey method based on significance.

TABLE 1 PRACTICE AMONG BANKS FOR FINANCIAL INCLUSION

Sr No.	Financial Institutions	Particulars	Practices At Process/product/services	Goal	Target
1	Head post of TN	move to CBS	ATM	FI	BOP
2	Corporation Bank	launched E-stamping	E-Stamps [general services]	RG/R	GP
3	Corporation Bank	launched e-Seva services	Religious Service	RG/R	GP
4	syndicate bank	launched e stamping		RG/R	GP
5	ICICI BANK	ICICI Foundation	Elementary Education, Healthy Lokshakti, Speak For Smiles	FI	BOP
6	NABARD	Farmers	Farmers Club	FI	BOP
7	Standard chartered bank	For customers	Reward System	RG/R	PE
8	Deutsche Bank	Global Commercial Microfinance Consortium	Finance for MFIs	FI	BOP
9	Banks[General]	Borrow from call market at 6.5% or from RBI's repo window	And Invest In Mutual Fund Schemes To Earn Substantially Higher Returns	RG/R	GP
10	Canara bank	Raising finance through QIP	[Qualified Institutional Placement] to Fund Future Growth And Meet Basel III Requirements.	RG/R	GP
11	Centurion Bank	Merger with Bank of Punjab.	Give world class services	RG/R	GP
12	IDBI	Merger with its own subsidiary IDBI Bank.	Scaling up for service	RG/R	GP
13	SBH	is partnering with Integra micro systems Pvt ltd	Technology Solutions For Financial Inclusion Plan FIP-POS	FI	BOP
14	Axis bank	partnering with Idea cellular for mobile banking	Mobile Banking	FI	BOP
15	ICICI bank	tie up with **Intuit** ,	Online Personal Finance Management Solution.	RG/R	PE
16	SBT	teamed up with the state Govt's kudumbashree	Poverty Eradication And Women Empowerment, No Frills Accounts	FI	BOP
17	IOB	tie up with AMEX	Cards Business	RG/R	GP
18	Citibank	tied up with MFIs	Micro finance	FI	BOP
19	Kotak Mahindra Bank Ltd	partnered with FINO	Biometric-Based Smart Card	FI	BOP
20	Banks[General]	Restructuring	Corporate Debt Restructuring Cell	FI	BOP
21	Standard chartered bank	diversification	Diversified services/cross selling	RG/R	GP
22	corporation bank	Modernization -	Heritage Museum – FI initiative	FI	BOP
23	Banks[General]	Corporate Social Responsibility	Service/pay back to society	FI	GP
24	Standard chartered bank	customization	Private Business Program For Medical Professional	RG/R	GP
25	Standard chartered bank	Expansion	Expand Network To Seven Cities	RG/R	GP
26	Banks[General]	Retailing	Retail financing	RG/R	GP
27	J.P. Morgan bank	J.P. Morgan Social Finance	Fund To Serve Base Of The Economic Pyramid	FI	BOP
28	SBI	HR initiative	Citizen SBI, A Sequel To The `Parivartan' +"Udaan".	RG/R	GP
29	SBI	for army professional	Defence Salary Package	RG/R	PE
30	Standard chartered bank		Employee-Consumer-Wholesale - SME & Islamic Banking	RG/R	segments
31	SBH		Point Of Sale Models	FI	BOP
32	Axis Bank	Branchless Banking	Mobile Banking	FI	GP
33	ICICI bank		Online Personal Finance	RG/R	GP
34	Citibank	For micro-finance customers	Biometric Atms	FI	BOP
35	Banks[General]	BC /BF Model	Extending banking services	FI	BOP
36	Banks[General]	For Corporate	Net Banking Platform	RG/R	PE
37	SBH		Smart Card	FI	BOP
38	**Citibank**	`Pragati' is a no-frills	Savings Account	FI	BOP
39	SBI bareilly br.	Beautiful Banking	Locker Room As Dressing Table	RG/R	GP
40	SBI		Teaser Home Loans Scheme	RG/R	GP
41	Banks[General]		NO Frill A/C	FI	GP
42	kotak Mahindra Bank ltd	Convenience Banking-	Net-Mobile-SMS-Phone-Alert ATM	RG/R	GP
43	Standard chartered bank		Straight2Bank	RG/R	C&I
44	Standard chartered bank		Straight2bank Stream	RG/R	Forex

FOREX=foreign exchange, BOP= bottom of pyramid, GP=general public, RG/R=rapid growth/Revenue C&I=corporate & institutions, FI= Financial inclusion, IG= inclusive growth

Inference all the above practices are excellent practices as they accomplish inclusive growth, as based on technology it ensure efficiency and accessibility. **Inclusive growth= FI+RG**

Refer ANNEXURE I for details

Exhibit 1 – Financial Inclusion - Recent Literatures Scan

It's observed that Government **Post Offices** making available **Core Banking** services to the public in financial inclusion endeavor. Banks concentrating on Revenue by launching **E-STAMPING, E-SEVA & Investing in Mutual Fund Schemes** by borrowing from call markets & RBI repo windows, as it fetch high returns.

In a process of Customer Acquisition Bank introduce **customized products** targeting the profession such as medical professional banking, Defense Salary Package [army banking], farmers club, Employee banking, Consumer banking Wholesale & SME banking.

To encourage usage of **E-Banking/ branchless banking** banks introduce Reward System, accumulated reward points for the usage of e-banking facility can be redeemed by you as Cash Back into the account.

Banks pay great attention, towards Social finance, foundation activities, CSR & microfinance consortium practices, as an initiative for inclusiveness.

Consolidations of banks, to scale up its activities & act like world-class banks. **Integration** between banks & E-solutions providers can be seen, in order to broaden the financial inclusion process. **Restructuring** loan to MFIs & **Diversified nature** of the business, **Expansions** & **Retailing Finance** helped the bank post good results. **Modernization** -Heritage museum with FI initiative, Happiness banking or beautiful banking & HR initiative Project to bring attitudinal change among employees all accelerates the process of FI.

Introduction BC/BF models, Pos models, mobile banking, No Frills savings accounts, mobile money & Convenience Banking[Net Banking, payments online, Mobile Banking, SMS Banking, Alerts, Phone Banking & ATM Network online banking all prove the effectiveness of financial inclusion plan **For Details Refer Annexure 1**

ASPECTS OF INCLUSIVE GROWTH:-Inclusive growth is directly linked with rapidity of growth and inclusiveness of excluded; it's a balanced growth between pace & pattern. Rapidity of economic growth [rapidity] will result in more investment in developmental projects; rapid development will make inclusive process faster. Inclusive growth [FI] will pour more money into the economic system as financially excluded are also engaged in saving/investment/economic activities [Inclusiveness]

CHART 1 GROWTH AN INTERLINKED PHENOMENON[14]

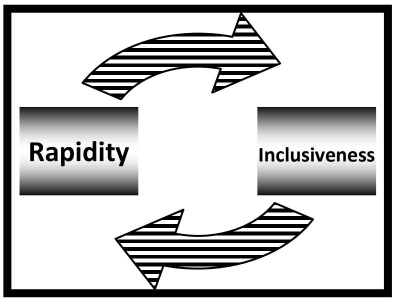


Exhibit 2

41% of Indian population falls below the international poverty line [BPL] of US$ 1.25 a day [2005 World Bank] currently Indian population is 121.02 Crore

For ease of calculation let us take

120 Crore X 40% =48 Crore live BPL

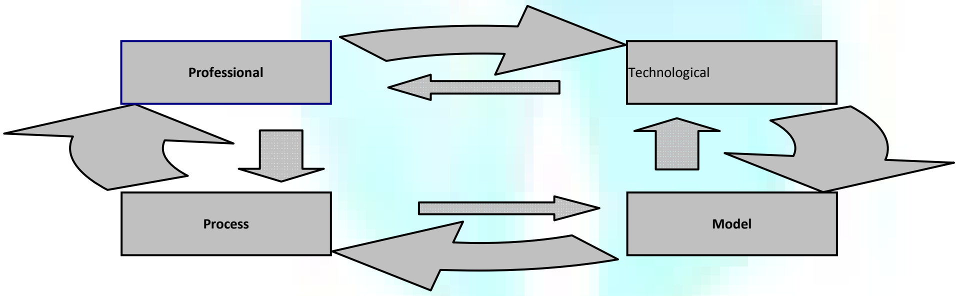
If they invest Re.1 per month = Rs.48 Crore India's monthly investment

DISCUSSION AND JUSTIFICATION

Scanning the information given in **Table # 1**, certain clusters are apparent, they are: - "Professional Cluster, Technological Cluster, Model Cluster, and Process Cluster"[15]

- **Professional cluster** include medical professional banking, army banking, farmers club, Employee-Consumer-wholesale & SME banking, professional cluster leads to customer acquisition through customized products & or services.
- **Technological cluster** –mobile banking, phone banking, SMS banking, ATM, Internet banking E- stamping & E-seva. Technological cluster direct customer acquisition by means of ease of access & efficiency.
- **Model cluster** - Business correspondent and facilitator model, POS model, one stop shop model drives customer acquisition by way of authorized or accredited financial service providers of banks.
- **Process cluster** Consortium, consolidation and merger, integration, diversification, restructuring, modernization, customization, expansion, retailing, corporate social responsibility and Human Resource initiative. Process cluster guide customer acquisition through practices adopted for uninterrupted functioning & high performance of the banks for rapid growth & FI.
- Foundations and social finance [base of pyramid], beautiful banking, convenience banking, E- stamping, E-seva [religion] & Islamic Banking [religion] leads to customer acquisition by Motivational, Social, Value & Visual Appreciation.

CHART 2 INTERDEPENDENCY OF CLUSTER[16]



SUGGESTIONS

- Refer the Exhibit 2 & Chart 1: Govt. of India should bring a **Compact Saving Scheme** Re.1 /month per BPL Indian [48Crore]. / It can be Re.1 per Indian monthly [121Cr]
- Inclusive growth phenomenon should pay more attention towards usage of renewable energy sources and promote organic agricultural cultivation; it will develop sustainable inclusive growth. Inclusive growth drive should eliminate environmentally hazardous energy sources [nuclear]
- Excellent practices documented should weigh more on practical profile for the inclusiveness to be holistic and absolute.
- Village proximity organization such as health centre, pre school [Balawadi], post office & ration shops must be used for financial literacy initiatives and inclusive growth initiatives.

CONCLUSION

It is justified that all the practices, adopted by banks for inclusive are excellent has they satisfy the twin aspect of inclusive growth, financial inclusion of the excluded and rapid growth which push the inclusiveness. [**Inclusive growth= FI+RG].** Firstly the practices adopted by bank accomplish customer acquisition generating revenue/business, which in turn result in rapid growth. Secondly the practices result in inclusion of the excluded [BOP]

Each of the cluster mention in chart II is interdependent and contributes towards rapidness of growth & inclusion of the excluded. All the practices should weigh more on practical aspect than on paper aspect [documented]. To know the practical face, primary data should be collected from the customers through sample survey method. The literature survey only throws light on the documented face.

[14] Authors out look
[15] Based on the secondary data authors own perspective
[16] Authors outlook

ANNEXURE

ANNEXURE I

Head post of TN & CBS + ATM -Head post offices in western region of Tamilnadu moving to Core banking solution platform[17]

Corporation Bank launched E-stamping facility here at Udupi zonal branch on Monday. Corporation Bank has entered into tie up with Stock Holding Corporation of India and has launched similar programmes in Maharastra, Puducherry, Tamil Nadu and Gujarat. Uttar Pradesh and Rajasthan are yet to give consent for the same. Karnataka has collected about Rs 3,200 crore of stamping fees during the last fiscal year. It has a target of collecting Rs 4,200 this year. E-stamping is a computer-based application and a secured electronic way of stamping documents. The prevailing system of physical stamp paper is being replaced with this system, which would prevent the paper and process-related fraudulent practices[18]. **Syndicate Bank launched 'E-stamping'** The SHCIL is the Central Record Keeping Agency (CRA) appointed by the Government of India for the e-stamp project. Stock Holding Corporation of India Ltd. (SHCIL) established as Public Limited Company in 1986. It is jointly promoted and owned by leading Banks and Financial Institutions such as IDBI Bank Ltd, ICICI Bank Ltd, SU-UTI, IFCI Ltd., LIC and other all leaders in their fields of Banks and Financial[19]

Corporation Bank launched e-Seva services for Udupi Sri Krishna mutt at Vasanth Mahal on Monday. The e-Seva facility was launched by Paryaya Shiroor mutt pontiff Sri Laxmivaratheertha Sripada. The devotees can avail the facility to offer services to Lord Krishna. They can select the pattern of the 'seva' and also donate money to the mutt through the site. The devotees booking through the site will get an acknowledgement in the form of e-mail to the registered mail ID along with a receipt with reference number. The devotees can access www.udupisrikrishnamutt.org for offering the e-seva. The payment can also be made through debit/credit cards issued by any Bank. The prasadam for the seva will be directly sent to the devotees by the Temple.[20]

ICICI Foundation for Inclusive Growth, Making India's growth more inclusive by contributing to elementary education, launched Healthy Lokshakti, an initiative that works in partnership with government healthcare systems to reduce newborn and infant deaths by enabling women to receive good medical care during and after pregnancy, and during delivery. ICICI Foundation, in partnership with Toofles Foundation and CNBC-TV18, has launched Speak for Smiles shows business leaders play in giving back to society[21].

NABARD Farmers Club brings technology transfer, credit counseling and market advocacy, NABARD would provide financial support for the first three years and for the next two years the bank sponsoring the club may provide the support, if necessary. The club is expected to attain self sustainability in a period of 3-5 years. It aims at Capacity building of rural areas[22].

REWARD SYSTEM of standard chartered bank, under this system,1 Reward Point = Re.1. Points accumulated can be redeemed by you as Cash Back into the account. Standard chartered bank had won the Global Finance World's Best Internet Bank **Awards** 2010 for the excellent practices.

Consortium Practices DEUTSCHE Bank announced the formation of its Global Commercial Microfinance Consortium, a $75 million fund that brings together over 25 institutional investors with an interest in microfinance[23].

Enjoying Spread Bank borrow from call market at 6.5% or from RBI's repo window and invest in mutual fund schemes to earn substantially higher returns[24].

CANARA bank Raising finance through QIP [qualified institutional placement] issue, subscriber are insurance company, mutual funds & FII's. QIP fund future growth and meet basel III requirements[25].

CONSOLIDATION of banks, merger and acquisition of banks and other financial institutions - In the banking sector, important mergers and acquisitions in India in recent years include the merger between IDBI (Industrial Development bank of India) and its own subsidiary IDBI Bank. The deal was worth $ 174.6 million (Rs. 7.6 billion in Indian currency). Another important merger was that between Centurion Bank and Bank of Punjab. Worth $82.1 million (Rs. 3.6 billion in Indian currency), this merger led to the creation of the Centurion Bank of Punjab with 235 branches in different regions of India. *Consolidation alone will give banks the muscle, size and scale to act like world-class banks*[26]

INTEGRATION :Partnering/ tie up/ teaming up practices for financial inclusion, in order to broaden the financial inclusion process or come up with tailored products for customer acquisition. **SBI ties up with India Post** State Bank of India has entered into an alliance with India Post in Kerala for making available some of its services to the public in financial inclusion Select post offices in the State will make available to the public SBI's deposit and loan products[27]. **State bank of Hyderabad is partnering with integra micro systems pvt ltd** for technology solutions for financial inclusion plan FIP-POS. "**Axis bank** partnering with Idea cellular for mobile banking"[28]. **ICICI bank tie up with Intuit** a global developer of business and personal finance management soulutions, for launching the products online personal finance management solution[29]. **SBT bank** teamed up with the state Govt's kudumbashree mission for poverty eradication and women empowerment to implement financial inclusion & in past five year the bank has ramped up the no frills accounts to 18 lakh[30]. **IOB tie up with AMEX for credit cards buiseness** Indian overseas bank has tied up with American express banking corp to offer co branded credit cards[31]. **Citibank has tied up with MFIs** such as Basix in Hyderabad and Swadhaar Finaccess in Mumbai for financial inclusion. **Kotak Mahindra Bank Ltd has partnered with FINO Fintech Foundation** and FINO Ltd. as their Business Correspondent and Technology Service Provider respectively for this initiative, which is based on Biometric-based Smart Card Technology.

RESTRUCTURING loan to MFIs, banks are using corporate debt restructuring cell to quicken the restructuring of loans given to six A.P. based micro finance.

DIVERSIFICATION The diversified nature of the business helped the bank post good results- Mr. Neeraj swaroop regional CEO , India & south aisa standard chart bank MNC[32]

MODERNIZATION -Heritage museum corporation bank develop heritage museum as tourist spot. The heritage museum, building also has a financial research centre, a financial inclusion resource centre, a financial literacy and credit counsel ling centre and corporation bank common wealth youth enterprise financing centre. [33]**Corporate Social Responsibility (CSR)** should be something ingrained in the corporate culture and be sustainable increasingly appreciated the importance of making a contribution to the society which they serve. Motives for CSR are now having an effect on banks' internal operations[34].

CUSTOMIZATION Standard chartered bank first to launch private business program for medical professional[35].Small and medium enterprise [SME] banking solutions.

EXPANSION the standard chartered private bank to expand in India, new office to be open at Chandigrah & Hyderabad to expand network to seven cities & numbers of relationship manager to be doubled by end of 2011[36].

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[17] Business line 29/3/11 pg 6
[18] http://www.deccanherald.com/content/52909/corporation-bank-launches-e-stamping.html
[19] http://news.gulshanestate.com/uncategorized/syndicate-bank-launched-%E2%80%98e-stamping
[20] http://www.deccanherald.com/content/52909/corporation-bank-launches-e-stamping.html

[21] ICICI Foundation brochure
[22] http://agritech.tnau.ac.in
[23] (Deutsche Bank, 2005).
[24] [Business Line 7/3/11 pg 1]
[25] [17/3/11 business line pg 6]
[26] http://finance.mapsofworld.com/merger-acquisition/india.html
[27] http://www.thehindubusinessline.in/2008/01/03/stories/2008010351452100.htm
[28] [Business Line 18/3/11 pg 7]
[29] [Business line 22/3/11-pg6]
[30] [Business Line 10//3/11 pg 10]
[31] [Business Line 8/3/11 pg6].
[32] [The Hindu Business Line 3/3/11]
[33] Business Line the Hindu 14/3/2011 pg 7 money & banking]
[34] Principles for a successful future of banking in Europe European Banking Federation.
[35] press release 26 January 2010, Singapore.
[36] press release 17/2/2010]

RETAILING practices retail consumer finance Perhaps the hallmark of this revolution has been the dramatic expansion of unsecured lending through the proliferation of credit cards. After all, we in the United States have arguably one of the most efficient retail credit markets in the world[37]. Retailing waves is due to high technologically supported competitively multi channel distribution system, competitive investment product, super saving pension and retirement product and ultimately viable array of banking. After all, we in the United States have arguably one of the most efficient retail credit markets in the world. J.P. Morgan Social Finance wing of J.P. Morgan bank J.P.Morgan's

SOCIAL FINANCE (SF) unit provides investment and capital markets services to social enterprises, funds, foundations, non-profits, development finance institutions and other investors serving the base of the economic pyramid.

SBI launches "fresh HR initiative Project **Citizen SBI, a sequel to the `Parivartan'** mass communication program, aimed at attitudinal change and Transformation of its employees."* **"Udaan"** program apprising the employees about the outstanding achievements of the bank over the last four years and grooming them for their total transformation."[38] ** **SBI – 'Defence Salary Package – Army' –** that offers a bundle of free / concessional **banking** services to the officers and jawans of the Indian Army.[39]

"**Employee Banking a** world class service and solutions for Employees financial needs. **Consumer Banking o**ffers a broad range of products and services to meet the borrowing, wealth management and transaction needs of individuals. **Wholesale Banking** has a client-focused strategy, providing trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions. **SME Banking** division offers products and services to help small and medium enterprises manage the demands of a growing business. **Islamic Banking:** Standard Chartered Saadiq's dedicated team provides comprehensive international banking services and a wide range of Shariah-compliant financial products based on Islamic values[40]."

Point of sale models Andhra bank, state bank of Hyderabad implementation of FIP, financial inclusion plan, is being conducted through point of sales [POS] model facilitating both enrolment and operations. The bank is partnering with integra micro systems pvt ltd for technology solutions [17/3/11 pg 6 business line] **Branch less banking models** Axis Bank in association with IDEA Cellular is offering a branchless banking solution, enables the Bank to undertake financial inclusion by providing a host of financial inclusion products and services[41]. **Mobile Money (M2):** Banking in the palm of your hand Consider the reach of India's 500 mn mobile phone subscribers against the reach of Indian banks with a total of around 250 mn unique individual bank accounts, around 60,000 ATMs and 84,000 branches[42]. **Online personal finance** ICICI bank launches online subscription based personal finance management solution to help banks customers understand their spending habits and organize their finance-providing them with details of their all ICIICI Bank Accounts on a single platform[43]. **Biometric ATMs** Citibank opens biometric ATMs For micro-finance customers, New trend in ATMs Biometric ATMs have multiple language capabilities, voice-enabled navigation facility aimed at illiterate customers[44]-.

BUSINESS FACILITATOR & / OR BUSINESS CORRESPONDENTS "In India, under the auspicious of Reserve Bank of India (RBI) two prominent rural banking extension service modes are in place. The first one is called "Business Facilitator" (BF) and the second one is termed as "Business Correspondents" (BC). BF and BC are authorized or accredited financial service providers of banks"* **Business Correspondent Model** –RBI permitted banks to charge customers for using business correspondents and expand the scope of permissible business correspondents to include among others, small retail shops, and individual petrol pump owners 25 may, 2010[ATISG]. BCS are usually NGO's, MFI's, societies or retired bank/Govt. employees appointed by banks to speed up the process of financial inclusion.[45]**. As a Business Correspondent [of **Axis** bank], Idea would facilitate the opening of the No Frills savings accounts[46]. **Net Banking Platform For Corporate** –allows a company to access its multiple accounts and also those of its group companies.

Smart card projects State bank of Hyderabad implementing smart card projects in 6 district of Andhra Pradesh ms. Renu challu managing director[47] **Citibank `Pragati'** is a no-frills savings account with nil minimum balance and is offered directly or through a micro-finance institution (MFI).

Happiness banking or beautiful banking: State bank of India's Bareilly branch to keep women customer happy, use the locker room as dressing table offering 50 items of variety of beauty products.[48]

SBI's Teaser Home Loans Scheme, offers loans at a comparatively lower rate of interest for the first few years after which rates are reset at high rates, the economic survey 2010-2011 says the fact that the scheme enabled many new home buyers to enter the market[49]. **Convenience Banking**- Net Banking View details across A/c's, Term Deposits, Demat Accounts - 24x7 , Kotak Payment Gateway secures way of shopping/ payments online, Mobile Banking, SMS Banking Alerts on your mobile or by email, Phone Banking 24 hr customer service , ATM Network[50]

Straight2Bank is Standard Chartered Bank's award-winning fully integrated electronic channel for corporate and institutional clients. The port of call for transacting, hedging and information, this end-to-end platform provides Cash, Trade, Foreign Exchange (FX) and Securities Services via a single sign-on access. Straight2Bank's Straight2Bank Stream is our proprietary streaming electronic platform for Foreign Exchange.

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PERFORMANCE EVALUATION OF PUBLIC SECTOR BANKS IN INDIA: AN APPLICATION OF CAMEL MODEL

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ABSTRACT
Banking sector is one of the fastest growing sectors in India. To days banking sector becoming more complex. Evaluating Indian banking sector is not an easy task. There are so many factors, which need to be taken care while differentiating good banks from bad ones. To evaluate the performance of banking sector we have chosen the CAMEL model because it measures the performance of banks from each of the important parameter like Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity. After deciding the model we have chosen all public sector banks of India for study. According to the importance of study each parameter is given equal weights. Results shown that on average Andhra Bank was at the top most position followed by Bank of Baroda and Indian Bank also it is observed that Central Bank of India was at the bottom most position followed by UCO bank, Bank of Mysore. The largest Public sector bank in India availed only 20th position.

KEYWORDS
public Sector Banks, Performance Evaluation, CAMEL Model, Ranking Method.

INTRODUCTION
During the 20th century in most of the nations domestic banking was generally subjected to heavy regulations and financial repression. The growth and financial stability of the country depends on the financial soundness of its banking sector.

The Indian banking sector has been working in a more open and globalize environment for a decade and half since liberalization. The liberalization process of Indian Economy has made the entry of new private sector banks possible and allowed the foreign sector banks to increase their branches in the banking sector. Besides, following India's commitment to the WTO, foreign banks have been permitted to open more branches with effect from 1998-99. With the increased competition and the emphatic on profitability, the public sector banks are now moving towards on economic-oriented model departing from the social approach followed for decades. Thus, the restructuring of public sector banks and the emergence of new banks in the private sector as well as the increased competition from foreign banks, have improved the professionalism in the banking sector. The increased presence of the private and foreign banks during the past decade has made the market structure of the banking sector in terms of competitive pricing of services, narrow spreads, and improving the quality of the services. The public sector banks, which had dominated the banking sector for decades, are now feeling the heat of the competition from private and foreign sector banks.

In the above back drop the present study is necessitated to examine the performance of all public sector banks i.e.26 banks during the period 2006-10. The study is based on twenty three ratios of the variables Capital Adequacy, Assets Quality, Management Efficiency, Earnings Quality and Liquidity.

REVIEW OF LITERATURE
In the process of continuous evaluation of the bank's financial performance both in public sector and private sector, the academicians, scholars and administrators have made several studies on the CAMEL model but in different perspectives and in different periods. This has been made me to take up the study on those areas where the study is incomplete. Hence, the knowledge on the current topic of the financial performance of the banks is reviewed here under to appraise the need for the present study.

Cole, Rebel A. and Gunther have made a study on "A CAMEL Rating's Shelf Life" and their findings suggest that, if a bank has not been examined for more than two quarters, off-site monitoring systems usually provide a more accurate indication of survivability than its CAMEL rating.

Lace well, Stephen Kent (2001). This study consists of multiple stages. Stage one in the estimation of cost and alternative profit efficiency scores using a national model and a size-specific model. Previous research referred in the paper asserts that an efficiency component should be added to the current CAMEL regulatory rating system to account for the ever-increasing diverse components of modern financial institutions. Stage two is the selection and Computation of financial ratios deemed to be highly correlated with each component of the CAMEL rating. The research shows that there is definitely a relationship between bank efficiency scores and financial ratios used to proxy a bank's CAMEL rating. It is also evident that certain types of efficiency models are better suited to large banks than to small banks and vice versa. Thus, the addition of an efficiency measure to the current regulatory rating system may in fact be a viable and equitable alternative if a model is chosen which does not penalize a bank based on size.

Richard S Barr, Kory A Killgo, Thomas F Siems, & Sheri Zimmel. (2002) This study reviews previous research on the efficiency and performance of financial institutions and uses Siems and Barr's (1998) data envelopment analysis (DEA) model to evaluate the relative productive efficiency of US commercial banks 1984-1998. It explains the methodology, discusses the input and output measures used and relates bank performance measures to efficiency.

Godlewski has tested the validity of the CAMEL rating typology for bank's default modelisation in emerging markets. He focused explicitly on using a logical model applied to a database of defaulted banks in emerging markets.

Said and Saucier examined the liquidity, solvency and efficiency of Japanese Banks. Using CAMEL rating methodology, for a representative sample of Japanese banks for the period 1993-1999, they evaluated capital adequacy, assets and management quality, earnings ability and liquidity position.

Prasuna analyzed the performance of Indian banks by adopting the CAMEL Model. The performance of 65 banks was studied for the period 2003-04. The author concluded that the competition was tough and consumers benefited from better services quality, innovative products and better bargains.

Derviz et al. investigated the determinants of the movements in the long term Standard & Poor's and CAMEL bank ratings in the Czech Republic during the period when the three biggest banks, representing approximately 60% of the Czech banking sector's total assets, were privatized (i.e., the time span 1998-2001).

Kapil (2005) examined the relationship between the CAMEL ratings and the bank stock performance. The viability of the banks was analyzed on the basis of the Offsite Supervisory Exam Model—CAMEL Model. The M for Management was not considered in this paper because all Public Sector Banks, (PSBs) were government regulated, and also because all other four components—C, A, E and L—reflect management quality. The remaining four components were analyzed and rated to judge the composite rating.

Satish, Jutur Sharath and Surender adopted CAMEL model to assess the performance of Indian banks. The authors analyzed the performance of 55 banks for the year 2004-05, using this model. They concluded that the Indian banking system looks sound and Information Technology will help the banking system grow in strength in future. Banks' Initial Public Offer will be hitting the market to increase their capital and gearing up for the Basel II norms.

Sarker examined the CAMEL model for regulation and supervision of Islamic banks by the central bank in Bangladesh. With the experience of more than two decades the Islamic banking now covers more than one third of the private banking system of the country and no concerted effort has been made to add a Shariah component both in on-site and off-site banking supervision system of the central bank. Rather it is being done on the basis of the secular supervisory and regulatory system as chosen for the traditional banks and financial institutions. To fill the gap, an attempt had been made in this paper to review the CAMEL standard set by the BASEL Committee for off-site supervision of the banking institutions. This study enabled the regulators and supervisors to get a Shariah benchmark to supervise and inspect Islamic banks and Islamic financial institutions from an Islamic perspective. This effort added a new 'S' to the CAMEL rating system as Shariah rating and CAMEL has become 'CAMELS' rating system.

Bhayani analyzed the performance of new private sector banks through the help of the CAMEL model. Four leading private sector banks – Industrial Credit & Investment Corporation of India, Housing Development Finance Corporation, Unit Trust of India and Industrial Development Bank of India - had been taken as a sample.

Singh, D., & Kohli, G. (200620). The banking and financial sector in India underwent a significant liberalization process in the early 1990s, which led to reforms in the banking and financial sector and changed the Indian banking structure. During the period from 1992 to 1997, interest rates were liberalized and banks were allowed to fix lending rates. By 1977 CRR was reduced to 9.5% and SLR was reduced to 25%. As a sequel to these reforms, new private sector banks were allowed entry in the market. Many of these private sector banks brought with them new technologies. Private sector banks started product innovation and competition. Even then Indians prefer nationalized banks for their services. The failure of Global Trust Bank made Indian depositors to question the sustainability of private sector banks. This paper attempts to undertake SWOT analysis of 20 old and 10 new private sector banks. These banks have also been ranked on the basis of financial data for the years 2003-2005. The study has used CAMEL model for evaluating these banks.

Gupta and Kaur conducted the study with the main objective to assess the performance of Indian Private Sector Banks on the basis of Camel Model and gave rating to top five and bottom five banks. They ranked 20 old and 10 new private sector banks on the basis of CAMEL model. They considered the financial data for the period of five years i.e. from 2003-07.

Dr.Maheshwara Reddy and Prof. C.R. Reddy (2009) conducted a comparative study on management of NPAs in regional rural banks.

METHODOLOGY

CAMEL is basically ratio based model for evaluating the performance of banks. It is a management tool that measures Capital Adequacy, Assets Quality, efficiency of Management, quality of Earnings and Liquidity of financial institutions. Various ratios are explained as follows.

CAPITAL ADEQUACY

It is important for a bank to maintain depositors' confidence and preventing the bank from going bankrupt. It reflects the overall financial condition of banks and also the ability of management to meet the need of additional capital. It also indicates whether the bank has enough capital to absorb unexpected losses. Capital adequacy ratios act as indicators of bank leverage. The following ratios measure capital adequacy:

CAPITAL ADEQUACY RATIO: The capital adequacy ratio is developed to ensure that banks can absorb a reasonable level of losses occurred due to operational losses and determine the capacity of the bank in meeting the losses. The higher the ratio, the more will be the protection of investors. The banks are required to maintain the capital adequacy ratio (CAR) as specified by RBI from time to time. As per the latest RBI norms, the banks should have a CAR of 9 per cent.

DEBT-EQUALITY RATIO: This ratio indicates the degree of leverage of a bank. It indicates how much of the bank business is financed through debt and how much through equity. It is the proportion of total outside liability to net worth. 'Outside Liabilities' includes total borrowings, deposits and other liabilities. 'Net Worth' includes equity capital and reserves and surplus. Higher ratio indicates less protection for the creditors and depositors in the banking system.

ADVANCE TO ASSETS RATIO: This is the ratio of the total advances to total assets and indicates a bank's aggressiveness in lending which ultimately results in better profitability. Higher ratio of advances/ deposits including receivables (assets) is preferred to a lower one

GOVERNMENT SECURITIES TO TOTAL INVESTMENTS: The percentage of investment in Government securities to total investments is an important indicator showing the risk-taking ability of the bank. It is a bank's strategy to have high profits, high risk or low profits, low risk. It also gives a view as to the availability of alternative investment opportunities.

ASSETS QUALITY

The quality of assets in an important parameter to gauge the strength of bank. The prime motto behind measuring the assets quality is to ascertain the component of non-performing assets as a percentage of the total assets. This indicates what types of advances the bank has made to generate interest income. The ratios necessary to assess the assets quality are:

NET NPAS TO TOTAL ASSETS: This ratio discloses the efficiency of bank in assessing the credit risk and, to an extent, recovering the debts. It is arrived at by dividing the net non-performing assets by total assets

NET NPAS TO NET ADVANCES: It is the most standard measure of assets quality measuring the net non-performing assets as a percentage to net advances. Net non-performing assets are gross non-performing assets minus net of provisions on Non-performing assets and interest in suspense account.

TOTAL INVESTMENTS TO TOTAL ASSETS: Total investment to total assets indicates the extent of deployment of assets in investment as against advances. This ratio is used as a tool to measure the percentage of total assets locked up in investments, which, by conventional definition, does not form part of the core income of a bank.

PERCENTAGE CHANGE IN NPAs: This measure tracks the movement in Net NPAs over previous year. The higher the reduction in the Net NPA level, the better it for the bank

DIVIDEND PAYOUT RATIO: Dividend pay-out ratio is used to find the extent to which earnings per share have been retained in the business for expansion. It is an important ratio because retained earnings of profits enables a company to grow and pay more dividends in future

RETURN ON ASSETS: An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.

NET INTEREST MARGIN: It is an important measure of bank's core income (income from lending operations). It is the difference between the interest income and interest expended as a percentage of average earning assets.

MANAGEMENT EFFICIENCY

Management efficiency is another important element of the CAMEL Model. The ratio in this segment involves subjective analysis to measure the efficiency and effectiveness of management. The management of bank takes crucial decisions depending on its risk perception. It sets vision and goals for the organization and sees that it achieves them. This parameter is used to evaluate management efficiency as to assign premium to better quality banks and discount poorly managed ones. The ratios used to evaluate management efficiency are described as:

TOTAL ADVANCES TO TOTAL DEPOSITS: This ratio measures the efficiency and ability of the bank's management in converting the deposits available with the bank excluding other funds like equity capital, etc. into high earning advances. Total deposits include demand deposits, savings deposits, term deposits and deposits of other banks, total advances include the receivables.

PROFIT PER EMPLOYEE: This shows the surplus earned per employee. It is known by dividing the profit after tax earned by the bank by the total number of employees. The higher the ratio, the higher the efficiency of the management.

BUSINESS PER EMPLOYEE: Business per employee shows the productivity of human force of bank. It is used as a tool to measure the efficiency of employees of a bank in generating business for the bank. It is calculated by dividing the total business by total number of employees. Higher the ratio, the better it is for the bank

RETURN ON NET WORTH: It is a measure of the profitability of a bank. Here, PAT is expressed as a percentage of Average Net Worth.

EARNING QUALITY

The quality of earnings is a very important criterion that determines the ability of a bank to earn consistently. It basically determines the profitability of bank and explains its sustainability and growth in earnings in future. This parameter gains importance in the light of argument that much of a bank's income is earned through non-core activities like investments, treasury operations and corporate advisory services and so on. The following ratios explain the quality of income generation.

OPERATING PROFIT TO AVERAGE WORKING FUNDS: This indicates how much a bank can earn profit from its operations for every rupee spent in the form of working fund. This is arrived at by dividing the operating profit by average working funds.. The better utilization of funds will result in higher operating profits.

PERCENTAGE GROWTH IN NET PROFIT: It is the percentage change in net profit over the previous year.

NET PROFIT/ AVERAGE ASSETS (PAT/AA): This ratio measures return on assets employed or the efficiency in utilization of assets. It is arrived by dividing the net profits by average assets, which is the average of total assets in the current year and previous year.

LIQUIDITY

Risk of liquidity is curse to the image of bank. Bank has to take a proper care to hedge the liquidity risk; at the same time ensuring good percentage of funds are invested in high return generating securities, so that it is in a position to generate profit with provision liquidity to the depositors. The following ratios are used to measure the liquidity under the CAMEL Model. They are:

LIQUID ASSETS TO DEMAND DEPOSITS: This ratio measures the ability of bank to meet the demand from depositors in a particular year. To offer higher liquidity for them, bank has to invest these funds in highly liquid form.

LIQUID ASSETS TO TOTAL DEPOSITS: This ratio measures the liquidity available to the total deposits of the bank.

LIQUID ASSETS TO TOTAL ASSETS: It measures the overall liquidity position of the bank. The liquid asset includes cash in hand, balance with institutions and money at call and short notice. The total assets include the revaluation of all the assets.

G-SEC TO TOTAL ASSETS: It measures the risk involved in the assets. This ratio measures the Government securities as proportionate to total assets.

APPROVED SECURITIES/TOTAL ASSETS: This is arrived by dividing the total amount invested in Approved securities by Total Assets.

The period for evaluating performance through CAMEL in this study ranges from 2005-06 to 2009-10, i.e., for 5 years. The absolute data for twenty six public sector banks on capital adequacy, asset quality, management efficiency, earning quality and liquidity ratios is collected from various sources such as annual reports of the banks, PROWESS, Ace Analyzer, Analyst journal. Internet has been an important source of secondary data. All the banks were first individually ranked based on the sub-parameters of each parameter. The sum of these ranks was then taken to arrive at the group average of individual banks for each parameter. Finally the composite rankings for the banks were arrived at after computing the average of these group averages. Banks were ranked in the ascending/descending order based on the individual sub-parameter.

RESULTS AND ANALYSIS

CAPITAL ADEQUACY: The various ratios measuring capital adequacy of public sector banks are depicted in Annexure I. It is clear from these tables that all banks are maintained higher CAR than the prescribed level. According to the norms of RBI, each bank in India has to maintain 9 % of their risk weighted assets as Capital. It is found that the corporation bank secured the top position with highest average CAR of 13.56 followed by Indian Bank (13.38), Bank of Baroda (13.35), SBBJ (13.26) and Indian overseas bank (13.15). UCO bank was at the bottom most position with a least average CAR of 11.38. In terms of Debit equity ratio Indian bank was at the top position with least average of 0.42 followed by OBC (0.48), Allahabad bank (0.68), Dena bank (0.69) and Andhra bank (0.73). SBI availed the 20th position with an average D/E ratio of 1.52. IDBI stood at the last position. In case of Advances to assets SBT was at the first position with highest average of 62.95, followed by SBM (62.05), Syndicate bank (60.76), SBBJ (60.75) and UCO bank (60.47). United bank of India was at the bottom most position with least average of 52.04. The largest public sector bank SBI availed only the 21st position with an average of 56.28. State bank of Patiala was at the top most position in Government securities to Investments with highest average of 94.8, followed by SBBJ (94.57), SBT (91.62), SBM (91.42) and SBH (89.14). IDBI was at the last position with the least average of 72.4. SBI stood at the 21st place with an average of 79.86.

On the basis of group averages of four sub parameters of capital adequacy SBBJ was at the top position with group average 7, followed by Canara bank (7.75), Andhra bank (8.25), SBT (9.75) and SBP (10.25). SBI stood at 24th position due to its poor performance in D/E ratio, Adv/Ast, G-sec/ Inv. UCO bank failed in maintaining CAR, D/E ratio and G-Sec/Inv and availed the last position. Central bank of India stood in 25th position due to its failure in CAR, Adv/Ast. IDBI excels well in CAR and Adv/Ast but lagging in controlling D/E ratio and G-Sec/ Inv and availed 22nd position. Due to the poor performance in Adv/Ast and G- Sec/ Inv, United bank of India also positioned 22nd.

ASSETS QUALITY: Annexure II represent Asset Quality position of sample banks during 2006-10, in terms of Net NPAs to Total Assets, Net NPAs to Net Advances, Total Investments to total Assets and Change in NPAs. Andhra bank was at the top position with an average NNPAs/TA of 0.12, followed by SBH (0.17), P&S bank (0.21), Indian bank (0.22) and Corporation bank (0.23). IDBI was at the last position with an average of 22.9. In case of NNPAs/NA it's again Andhra bank was at the top position with a least average of 0.12 followed by SBH (0.24), Indian bank (0.32), P&S bank (0.35) and Corporation bank (0.37). SBI positioned at last with the highest average of 1.61. In terms of TI/TA, Bank of India was at the first position with an average of 24.96 followed by BOB (25.05), SBBJ (25.63), SBP (25.99) and Syndicate bank (26.04). United bank of India was at the last position with highest average of 34.83. Indian bank was at the first position in percentage change in NPAs with an average of -4.93, followed by Central bank of India(-4.05), Bank of Baroda(0.874), Corporation Bank(1.528) and United bank of India(4.244). PNB performed well in NNPA/TA, NNPA/NA and TI/TA and failed in controlling change in NPAs.

On the basis of group averages of sub-parameters, Bank of Baroda was at the top position with group average(4.5), followed by Andhra bank(5), Corporation bank(6.75), Indian Bank(8.25) and SBP(10.5). SBI availed 24th position due to its poor performance in all sub-parameters of Asset Quality.BOM totally failed in all sub-parameters and positioned at last. United bank of India& UCO bank performed well in change in NPAs, but its performance was not good at other sub-parameters.

MANAGEMENT EFFICIENCY: Annexure III exhibits the various ratios representing the level of Management Efficiency of public sector banks in terms of Total Advances to Total Deposits, Profit per Employee, Business per Employee and return on Net Worth. It is observed from these tables that almost all ratios of all the banks indicate uptrend. IDBI was at the top most position with an average TA/TD of 125.1, followed by SBT (76.03), SBM (74.44), SBI (73.8) and SBBJ (73.42).United bank of India stood at last position with average TA/TD of 59.22. In terms of profit per employee United Bank of India secured the top position with 0.33 followed by IDBI (0.088), Corporation Bank (0.068), OBC (0.06) and P&S bank (0.05). Central bank of India was at the bottom most position with an average PPE of 0.018 during the study period. At the front of Business per employee, IDBI was at the first place with an average 18.72, followed by OBC (9.42), Corporation Bank (8.642), SBP (7.316) and BOB (7.112). Indian bank stood at the last position with least BPE 4.084. SBT was at the top position in RONW with the highest average 23.7 followed by IOB (23), SBH (21.1), UBI (20.8) and P&S bank (20.5). IDBI excels well in TA/TD, PPE and BPE but completely failed in achieving RONW.

On the basis of group averages of sub-parameters, P&S bank was at the top most position with group average 6, followed by UBI& IDBI(7.5), BOI&SBT(9.25). Central bank of India&BOM stood at the last two positions due to its poor performance in all the sub-parameters. Due to the poor performance in TA/TD, PPE and RONW, Vijaya bank availed 24th position. United bank of India was at top in PPE, but totally failed in TA/TD, BPE and RONW availed 23rd position.UCO bank availed 22nd position due to its poor performance in TA/TD, PPE and RONW.

EARNING QUALITY & PROFITABILITY: Annexure IV presents the earning quality and profitability positions of public sector banks in terms of operating profit by average working funds, percentage growth in net profit, net profit to average assets, dividend payout ratio, return on assets and net interest margin. Indian bank was at the top position with an average OP/AWF of 2.6, followed by Corporation bank (2.5), PNB (2.4), IOB (2.3) and Andhra bank (2.2). IDBI was at the bottom most position with least average of 1.1. In case of PAT growth BOM was at the first position with an average of 141.5, followed by Dena bank (58.67). BOB (51.71), BOI (49.6) and P&S bank (49). IOB was at the last place with least average 5.11. In case of PAT/AA, P&S bank stood at the top place with an average 1.27, followed by IB (1.21), PNB (1.13), and Andhra bank (1.04). Central bank of India positioned at last with least average of 0.43. In terms DPR, Andhra bank secured the top place with highest average of 31.91, followed by BOM (25.72), Vijaya bank (24.76), OBC (22.9) and Corporation bank (21.492). In terms of ROA, Indian bank was at the top position with average 1.5, followed by Andhra bank and PNB (1.2), Corporation bank& IOB (1.18). Its again CBI was at the bottom most position average on return of assets as 0.5.

On the basis of group average, Indian bank was at the top position with group average (4.83) followed by PNB (6), Andhra bank (6.5), Corporation bank (8) and IOB (8.83). SBI stood at 15th position. CBI totally failed in all sub-parameters and was at the bottom most position. UCO bank was at 25th position, IDBI at 24th place. Due to the poor performance in OP/AWF, PAT/AA, ROA and NIM, United bank of India positioned at 23rd. Syndicate bank performed well in DPR, but its performance was not good in other sub-parameters and secured 22nd place.

LIQUIDITY: Annexure V presents liquidity position of sample banks in terms of liquid assets to demand deposit, liquid assets to total deposits, liquid assets to total assets, government securities to total assets and approved securities to total assets. SBP was at the first place in LA/TD with highest average of 202.928, followed by BOB (196.354), BOI (192.114), P&S bank (171.63) and SBT (158.158). SBI secured the last position with least average of 95.03. In case of LA/TD, Corporation bank got first position with highest average of 15.994, followed by IDBI (15.914), SBI (15.89), BOB (15.58) and SBH (14.39). SBT was at the bottom most position with least average 8.636. In contest of LA/TA, BOB was at top with the average 13.3 followed by Corporation bank (13.25), SBI (12.10), BOI (12), SBH (11.856).SBT was at the last position. Indian bank was at the top position in G-Sec/TA with an average 27.142, followed by united bank (27.034), BOM (26.1), P&S bank and SBH. BOB was at the bottom most position with least average 19.34. In terms of AS/TA, BOB (0.626) was at the top most position followed by IB (0.672), CBI (0.558), Allahabad bank (0.5) and PNB (0.46). IDBI performance was not good in this aspect and availed the bottom most position.

On the basis of group averages of the sub parameters, BOB stood at the top position with group average 6.8, followed by SBP (8.4), BOI (8.8), IB (9.6) and P&S bank (10.2). UBI completely failed in maintaining all these sub-parameters and placed at last.

OVERALL RANKING: As stated in initial part of this paper, CAMEL model is used to rating the banks according to their performance. It is clear from Annexure VI that Andhra bank is ranked at top position with composite average 8.22, followed by BOB (9.38), Indian bank (10.03), Corporation bank (10.47) and Punjab national bank (10.47). SBI, the largest bank in India availed only 20th position. Central bank of India was at the bottom most position followed by UCO bank, Bank of Maharashtra, United bank of India and Vijaya bank

CONCLUSION

Economic development of any country is mainly influenced by the growth of the banking industry in that country. The current study has been conducted to examine the economic sustainability of all public sector banks in India using CAMEL model during the period 2006-10. The study revealed that

- State Bank of Bikaner and Jaipur stood at top position in terms of capital adequacy.
- In front of assets quality Bank of Baroda placed at first position.
- Punjab & Sindh Bank was at top most position in case of management efficiency.
- In context of earnings quality Indian bank positioned at first.
- It's again BOB stood at first position in front of Liquidity.
- Overall performance table shows that, Andhra bank is ranked first followed by Bank of Baroda, Indian Bank, Corporation Bank and Punjab National Bank.
- The largest public sector bank in India SBI availed only 20th position.
- In bottom five Central bank of India was on the last position i.e., 26th rank, following the other banks UCO bank BOM, United bank of India and Vijaya bank.

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ANNEXURES

ANNEXURE I: CAMEL RATING

CAPITAL ADEQUACY

Bank	CAR (%)		D/E(times)		ADV/AST(%)		G-SEC/INV(%)		Group	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Allahabad Bank	12.93	8	0.68	3	58.28	18	76.84	25	13.5	16
Andhra Bank	12.82	9	0.73	5	59.39	12	87.39	7	8.25	3
BOB	13.35	3	0.81	7	58.49	17	77.53	23	12.5	12
BOI	12.29	18	1.67	23	59.94	8	79.99	19	17	18
BOM	11.68	24	1.12	14	57	19	85.45	12	17.25	21
Canara Bank	13.1	6	0.91	9	60.39	6	85.88	10	7.75	2
CBI	11.44	25	0.93	10	55.77	24	83.73	13	18	25
Corporation Bank	13.56	1	0.93	10	56.93	20	78.31	22	13.25	15
Dena Bank	11.86	23	0.69	4	59.74	8	82.29	17	13	14
IB	13.38	2	0.42	1	55.39	25	83.16	14	10.5	6
IDBI Bank	12.67	11	6.81	26	60.11	7	72.4	26	17.5	22
IOB	13.15	5	1.17	16	58.74	16	87.22	8	11.25	8
OBC	12.52	16	0.48	2	59.24	13	85.83	11	10.5	6
P&S BANK	12.18	19	2.03	25	58.79	15	86.52	9	17	18
PNB	13.08	7	0.95	12	58.83	14	83.05	15	12	10
SBBJ	13.26	4	1.33	18	60.75	4	94.57	2	7	1
SBH	12.67	11	1.01	13	56.22	22	89.14	5	12.75	13
SBI	12.81	10	1.52	20	56.28	21	79.86	20	17.75	24
SBM	12.07	20	1.64	21	62.05	2	91.42	4	11.75	9
SBT	12.66	13	1.66	22	62.95	1	91.62	3	9.75	4
State Bank of Patiala	12.62	14	1.15	15	59.42	11	94.8	1	10.25	5
Syndicate Bank	12.01	22	1.3	17	60.76	3	88.62	6	12	10
UBI	12.5	17	1.41	19	59.7	10	79.62	21	16.75	17
UCO Bank	11.38	26	1.72	24	60.47	5	82.21	18	18.25	26
United Bank	12.62	14	0.77	6	52.04	26	77.25	24	17.5	22
Vijaya Bank	12.03	21	0.87	8	56.18	23	82.92	16	17	18

Source: Secondary data collected from Prowess, Ace Analyzer, And Annual Reports Compiled through Excel spread sheet

ANNEXURE II: CAMEL RATINGS

ASSET QUALITY

Bank	NNPAs/TA(%)		NNPAs/NA(%)		TI/TA(%)		CH.IN NPAs (%)		Group	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Allahabad Bank	0.6	13	0.73	12	30.17	22	15.51	11	14.5	17
Andhra Bank	0.1	1	0.12	1	26.49	6	15.84	12	5	2
BOB	0.4	6	0.47	7	25.05	2	0.874	3	4.5	1
BOI	0.6	14	0.84	15	24.96	1	31.6	19	12.3	12
BOM	0.8	20	1.21	22	30.43	24	28.85	18	21	26
Canara Bank	0.7	17	0.93	18	27.08	10	13.52	10	13.8	15
CBI	1	23	1.38	24	30.15	21	-4.05	2	17.5	19
Corporation Bank	0.2	5	0.37	5	27.67	13	1.528	4	6.75	3
Dena Bank	1	22	1.1	21	27.24	11	6.308	7	15.3	18
IB	0.2	4	0.32	3	32.69	25	-4.93	1	8.25	4
IDBI Bank	23	26	0.99	19	27.93	15	16.1	13	18.3	21
IOB	0.7	19	1.08	20	28.72	18	60.17	25	20.5	25
OBC	0.5	10	0.66	10	26.65	7	35.51	20	11.8	10
P&S BANK	0.2	3	0.35	4	29.83	20	17.64	15	10.5	5
PNB	0.4	6	0.41	6	27.05	9	106.4	26	11.8	10
SBBJ	0.7	16	0.86	16	25.63	3	7.52	8	10.8	7
SBH	0.2	2	0.24	2	28.82	19	47.91	22	11.3	8
SBI	1.1	24	1.61	26	28.24	16	16.2	14	20	24
SBM	0.4	9	0.59	8	26.88	8	37.88	21	11.5	9
SBT	0.7	18	0.92	17	27.61	12	11.34	9	14	16
State Bank of Patiala	0.6	12	0.63	9	25.99	4	24.02	17	10.5	5
Syndicate Bank	0.6	14	0.82	14	26.04	5	22.33	16	12.3	12
UBI	0.4	6	0.69	11	27.71	14	49	23	13.5	14
UCO Bank	1.2	25	1.55	25	28.6	17	5.372	6	18.3	21
United Bank	1	21	1.27	23	34.83	26	4.244	5	18.8	23
Vijaya Bank	0.5	11	0.8	13	30.33	23	51.1	24	17.8	20

Source: Secondary data collected from Prowess, Ace Analyzer, And Annual Reports Compiled through Excel spread sheet

ANNEXURE III: CAMEL RATINGS

MANAGEMENT EFFICIENCY

Bank	TA/TD(%)		PPE (Lakhs)		BPE(Lakhs)		RONW(%)		GROUP	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Allahabad Bank	66.65	21	0.046	9	5.89	15	20.31	7	13	15
Andhra Bank	68.87	14	0.048	7	6.51	9	19.67	9	9.75	6
BOB	68.49	16	0.046	9	7.11	5	14.89	19	12.25	13
BOI	71.24	6	0.042	14	6.75	7	19.58	10	9.25	4
BOM	65.1	22	0.02	24	5.25	20	13.38	21	21.75	25
Canara Bank	69.74	11	0.044	11	6.73	8	18.76	13	10.75	9
CBI	62.67	25	0.018	26	4.43	25	9.828	24	25	26
Corporation Bank	68.82	15	0.068	3	8.64	3	14.93	18	9.75	6
Dena Bank	67.52	20	0.038	18	6.4	10	15.28	16	16	19
IB	64.37	23	0.05	5	4.08	26	18.28	14	17	21
IDBI Bank	125.1	1	0.088	2	18.7	1	1.77	26	7.5	2
IOB	70.15	10	0.04	15	5.61	17	22.96	2	11	10
OBC	68.39	17	0.06	4	9.42	2	10.47	23	11.5	12
P&S BANK	70.42	8	0.05	5	6.95	6	20.53	5	6	1
PNB	69.74	12	0.044	11	5.41	19	20.23	8	12.5	14
SBBJ	73.42	5	0.03	20	4.55	24	18.99	11	15	18
SBH	67.99	18	0.044	11	6.17	12	21.06	3	11	10
SBI	73.8	4	0.034	19	4.61	23	14.85	20	16.5	20
SBM	74.44	3	0.03	20	4.91	21	18.79	12	14	17
SBT	76.03	2	0.038	16	5.6	18	23.7	1	9.25	4
State Bank of Patiala	71.09	7	0.038	16	7.32	4	16.43	15	10.5	8
Syndicate Bank	69.33	13	0.03	20	5.84	16	20.5	6	13.75	16
UBI	70.42	8	0.048	7	6.38	11	20.84	4	7.5	2
UCO Bank	68.25	18	0.02	24	6.13	13	15.06	17	18	22
United Bank	59.22	26	0.33	1	4.73	22	8.73	25	18.5	23
Vijaya Bank	64.09	24	0.026	23	6.06	14	11.78	22	20.75	24

Source: Secondary data collected from Prowess, Ace Analyzer, And Annual Reports Compiled through Excel spread sheet

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ANNEXURE IV: CAMEL RATINGS

EARNINGS QUALITY

Bank	OP/AWF (%)		PAT GROWTH		PAT/AA		DPR(%)		ROA(%)		NIM(%)		Group	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Allahabad Bank	2.11	7	20.03	19	1.04	5	18.82	11	1.17	6	2.4	10	9.67	6
Andhra Bank	2.23	5	17.46	22	1.06	4	31.91	1	1.2	2	2.63	5	6.5	3
BOB	2.01	13	51.71	3	0.88	14	19.24	9	0.96	14	2.37	12	10.8	9
BOI	2.08	9	49.6	4	0.91	12	16.31	19	1	13	2.33	15	12	12
BOM	1.44	23	141.5	1	0.52	21	25.72	2	0.61	22	2.4	10	13.2	13
Canara Bank	2.03	11	24.48	16	0.96	9	18.14	15	1.05	11	2.28	17	13.2	13
CBI	1.4	24	20.62	18	0.43	26	13.46	21	0.5	26	2.11	23	23	26
Corporation Bank	2.48	2	25.16	14	1	7	21.49	5	1.18	4	2.32	16	8	4
Dena Bank	1.92	17	58.67	2	0.74	18	9.678	25	0.79	19	2.37	12	15.5	17
IB	2.64	1	43.55	7	1.21	2	17.57	17	1.5	1	3.1	1	4.83	1
IDBI Bank	1.1	26	34.76	9	0.51	22	19.73	7	0.6	23	0.65	26	18.8	24
IOB	2.28	4	5.112	26	1.02	6	18.85	10	1.18	4	2.8	3	8.83	5
OBC	1.8	19	16.85	23	0.7	20	22.9	4	0.82	18	2.15	22	17.7	20
P&S BANK	2.01	13	49	5	1.27	1	0	26	1.16	7	2.36	14	11	10
PNB	2.37	3	28.82	12	1.13	3	18.36	14	1.2	2	2.99	2	6	2
SBBJ	2.03	11	13.82	25	0.75	16	17.06	18	0.84	16	2.65	4	15	16
SBH	2.08	9	22.6	17	0.9	13	10.13	24	1.03	12	2.2	21	16	18
SBI	1.98	15	17.86	21	0.87	15	18.82	11	0.96	14	2.52	8	14	15
SBM	2.1	8	40.64	8	0.92	10	11.89	23	1.06	8	2.56	6	10.5	8
SBT	1.98	15	32.25	10	0.92	10	14	20	1.06	8	2.55	7	11.7	11
State Bank of Patiala	1.86	18	24.99	15	0.75	16	20.12	6	0.76	20	1.72	25	16.7	19
Syndicate Bank	1.6	21	15.67	24	0.73	19	19.67	8	0.83	17	2.27	18	17.8	22
UBI	2.21	6	26.22	13	0.97	8	17.94	16	1.06	8	2.44	9	10	7
UCO Bank	1.37	25	30.21	11	0.48	24	12.53	22	0.53	25	1.89	24	21.8	25
United Bank	1.5	22	45.61	6	0.46	25	18.39	13	0.55	24	2.24	19	18.2	23
Vijaya Bank	1.77	20	19.39	20	0.51	22	24.76	3	0.65	21	2.22	20	17.7	20

Source: Secondary data collected from Prowess, Ace Analyzer, And Annual Reports Compiled through Excel spread sheet

ANNEXURE V: CAMEL RATINGS : LIQUIDITY												
Bank	**LA/DD (%)**		**LA/TD (%)**		**LA/TA**		**G-SEC/TA**		**AS/TA**		**GROUP**	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Allahabad Bank	119.51	22	9.802	25	8.57	23	23.2	15	0.5	4	17.8	24
Andhra Bank	152.33	6	13.5	9	11.6	8	23.02	17	0.22	18	11.6	8
BOB	196.35	2	15.58	4	13.3	1	19.34	26	0.676	1	6.8	1
BOI	192.11	3	14.27	6	12	4	19.88	25	0.434	6	8.8	3
BOM	105.69	24	11.4	20	9.99	18	26.1	3	0.206	19	16.8	21
Canara Bank	136.07	12	11.33	21	9.8	20	23.24	14	0.306	13	16	19
CBI	133.11	13	12.25	16	10.9	15	25.18	7	0.558	3	10.8	6
Corporation Bank	97.552	25	15.99	1	13.3	2	21.55	23	0.17	22	14.6	15
Dena Bank	136.52	11	12.64	14	11.2	12	22.43	21	0.278	15	14.6	15
IB	150.71	7	11.49	19	9.89	19	27.14	1	0.672	2	9.6	4
IDBI Bank	128.52	16	15.91	2	7.99	25	20.35	24	0.006	26	18.6	25
IOB	126.03	18	11.97	18	10	16	25.02	9	0.258	17	15.6	17
OBC	145.42	8	13.23	12	11.5	9	22.84	18	0.272	16	12.6	13
P&S BANK	171.63	4	12	17	10	16	25.79	4	0.367	10	10.2	5
PNB	127.06	17	13.99	7	11.8	6	22.44	20	0.46	5	11	7
SBBJ	143.54	10	13.41	10	11.1	13	24.24	12	0.198	20	13	14
SBH	123	19	14.39	5	11.9	5	25.78	5	0.144	24	11.6	8
SBI	95.032	26	15.89	3	12.1	3	22.61	19	0.398	7	11.6	8
SBM	119.93	21	9.878	23	8.23	24	24.56	11	0.39	9	17.6	23
SBT	158.16	5	8.636	26	7.14	26	25.32	6	0.184	21	16.8	21
State Bank of Patiala	202.93	1	13.65	8	11.4	10	24.6	10	0.306	13	8.4	2
Syndicate Bank	131.33	15	12.91	13	11.3	11	23.09	16	0.154	23	15.6	17
UBI	116.52	23	11.33	21	9.62	21	22.04	22	0.332	12	19.8	26
UCO Bank	131.48	14	9.846	24	8.73	22	23.47	13	0.398	7	16	19
United Bank	120.4	20	12.43	15	10.9	14	27.03	2	0.34	11	12.4	12
Vijaya Bank	145.35	9	13.32	11	11.7	7	25.18	7	0.114	25	11.8	11

Source: Secondary data collected from Prowess, Ace Analyzer, And Annual Reports Compiled through Excel spread sheet

ANNEXURE VI: CAMEL RATINGS							
Overall performance							
Bank	C	A	M	E	L	Avg	Rank
Allahabad Bank	13.5	14.5	13	9.67	17.8	13.7	17
Andhra Bank	8.25	5	9.75	6.5	11.6	8.22	1
BOB	12.5	4.5	12.25	10.8	6.8	9.38	2
BOI	17	12.25	9.25	12	8.8	11.9	8
BOM	17.25	21	21.75	13.2	16.8	18	24
Canara Bank	7.75	13.75	10.75	13.2	16	12.3	10
CBI	18	17.5	25	23	10.8	18.9	26
Corporation Bank	13.25	6.75	9.75	8	14.6	10.5	**4**
Dena Bank	13	15.25	16	15.5	14.6	14.9	19
IB	10.5	8.25	17	4.83	9.6	10	**3**
IDBI Bank	17.5	18.25	7.5	18.8	18.6	16.1	21
IOB	11.25	20.5	11	8.83	15.6	13.4	15
OBC	10.5	11.75	11.5	17.7	12.6	12.8	13
P&S BANK	17	10.5	6	11	10.2	10.9	6
PNB	12	11.75	12.5	6	11	10.7	**5**
SBBJ	7	10.75	15	15	13	12.2	9
SBH	12.75	11.25	11	16	11.6	12.5	12
SBI	17.75	20	16.5	14	11.6	16	20
SBM	11.75	11.5	14	10.5	17.6	13.1	14
SBT	9.75	14	9.25	11.7	16.8	12.3	10
State Bank of Patiala	10.25	10.5	10.5	16.7	8.4	11.3	7
Syndicate Bank	12	12.25	13.75	17.8	15.6	14.3	18
UBI	16.75	13.5	7.5	10	19.8	13.5	16
UCO Bank	18.25	18.25	18	21.8	16	18.5	25
United Bank	17.5	18.75	18.5	18.2	12.4	17.1	23
Vijaya Bank	17	17.75	20.75	17.7	11.8	17	22

ESOP DESIGN PRACTICES IN INDIAN IT & ITES AND PHARMACEUTICAL INDUSTRIES

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ABSTRACT

Motivating, rewarding and retaining top performers are key business objectives for any business that seeks to successfully maintain or exceed growth expectations. Stock options are recognized as an effective tool to attract, reward, retain and motivate the employees. Higher degrees of employee productivity and commitment are sure keys to unlock the doors of success and profitability for the organization. Employee Stock Option Plans (ESOP) is one of the important and widely used tools for gaining employee commitment and ensure employee retention and motivation. This study used secondary data pertaining to Indian IT&ITES and Pharmaceutical companies between 1999 and 2010 to analyse the ESOP design practices adopted by these companies. The findings indicate that these companies are clearer about their ESOP practices post SEBI ESOP&ESPP Guidelines, 1999. However, the study further reveals that Indian industries can benefit more by exploiting the full potential of ESOPs by designing, communicating and implementing their plans in a more appropriate manner.

KEYWORDS
ESOP, ESO, SEBI, Pharmaceutical.

INTRODUCTION

A stock option is a right and not an obligation, of the option holder to acquire shares of a company during a specified period at a pre-determined price. Worldwide, stock options are used to create a sense of ownership among the employees, provide an opportunity to employees to share the growth of the company, create long term wealth in the hands of the employees and provide performance linked rewards to the employees. ESOPs originally were created with the idea that employees, given an ownership stake in the company, would have the incentive to increase its productivity and performance. Improvements in morale and job satisfaction brought about through employee stock options are expected to promote the overall productivity and competitiveness of employees. This will ultimately result in increased organizational performance that would fetch a competitive edge for the organization in the market front.

Under Employee Stock Options Plans, on the basis of years of service, performance or some such criteria, as decided by the company, employees of the company are granted stocks of the company at a pre-determined price. These stocks will vest with the employees over a period of time in the future. During that period, the employees can trade these stocks and benefit out of it.

The objective of granting options is to reward and retain highest levels of talent, ensure sustained commitment and motivation of the highest order from employees and create substantial wealth for the employees through participation in the growth, development and net worth of the company. In the western countries, an ESOP is a qualified employee benefit plan that can substitute for or supplement a company's retirement plan. Money borrowed by a trust (ESOT) set up under the plan and guaranteed by the corporation is used to purchase the firm's common stock in the open market or from the corporate treasury. These shares are then distributed to employees over time on the basis of years of service or an alternative allocation method as decided upon by the organization. The loan used to purchase the shares is paid off over time from employee contributions.

In India ESOP adoption is still in its early stage. Indian companies use stock options to attract and retain employees. ESOPs have been in vogue for over a decade in India and they still create excitement and hope among employees to own shares of the employer company and create wealth all on a sudden in tandem with movements in stock market. Information Technology, communication, entertainment, financial, pharmaceutical and technology driven companies use ESOPs as a tool to reward and motivate employees.

INDIAN IT& ITES AND PHARMACEUTICAL INDUSTRIES

Information Technology, Information Technology Enabled Services and Pharmaceutical industries are major contributors to the Indian economy. These are knowledge-based industries whose vital assets are their human resources. There is a great need to retain and satisfy these assets in order to get the best performance out of them. It is very crucial to ensure that the key employees do not leave the organization, because there is the danger of these key employees taking vital knowledge and information with them when they leave the organization. This is more a sensitive issue, since these employees will be absorbed by competitors who could use these vital knowledge and information to get a competitive edge over the others.

Moreover, attrition levels are of high concern in these industries especially during the last few years when employees were seen to be more mobile. Strong and effective strategies have to be formulated and adopted in order to retain the employees in the organizations for longer tenures. This will help the organizations in cutting down their hiring costs and training costs to a great extent, which will in turn tell upon the performance and profitability of the organizations.

ESOPs are highly recognized tools for creating a sense of belongingness and commitment in the employees, which is very crucial for the success of every organization. Offering a stake in the ownership of the organization is bound to have positive impact on the employees and motivate them to contribute their best performance to their organizations.

REVIEW OF LITERATURE

Firms are likely to use stock options to retain their key employees who can take with them some special skill or know-how that can be used by the competitors. Oyer and Schaefer (2005) opine that the firms with stock returns close to the industry returns are likely to compete for the same set of workers. However, stock options can help to maintain the aggregate incentive level for the employees in the face of changing labour market conditions (Kadia and Mazumdar, 2002). When firms have considerable intangible assets and growth opportunities, the retention of key employees becomes critical for the value creation. The benefits of growth opportunities depend on the availability of potential employees in the company (Smith and Watts, 1992). While growth opportunities increase the likelihood of using stock options to align the interests of shareholders with the employees, if the growth opportunities are greatly related to the human capital, the use of stock options may also reflect the purpose of retaining the potential employees (Core and Qian, 2000). ESOP Direct (2001) conducted a survey in 28 IT and 12 Non-IT companies. The survey addresses the finer aspects of ESOP Design practices in India. Attempt is made to interpret the findings relevant to sectors (IT versus Non-IT) and also within the sectors, in terms of whether companies are looking at structures unique to their requirements or is everyone following each other. The survey has tried to analyse the impact of the SEBI guidelines on ESOP and has compared it against global trends, particularly in the U.S. Some of the major findings of this study are: There is no uniform legal structure followed by the companies. While around 58% of the companies have preferred a direct route (without an ESOP trust) a significant number (42%) of companies have preferred a Trust route; Both IT and Non-IT companies give more weightage to individual performance when it comes to deciding the number of options granted. Relatively less importance is given to Salary grade, Position or Title. There is no difference in the practices followed by IT and Non-IT companies with respect to the term of the options. The term is of less than four years.

OBJECTIVES OF THE STUDY

- To study ESOP design practices in Indian IT & ITES companies and Pharmaceutical companies
- To compare ESOP design practices in Indian IT & ITES companies and Pharmaceutical companies

SCOPE OF THE STUDY

This study is an attempt to identify and analyse the macro trends of ESOP phenomenon in India. The study covers IT & ITES industry and Pharmaceutical industry in India. ESOP practices adopted by Indian IT & ITES and Pharmaceutical sectors are investigated and compared with an objective of identifying the trends followed by majority of these knowledge-based industries which could be of help for firms in the other sectors for designing their employee stock options plans or schemes.

RESEARCH DESIGN AND DATA

This is an Analytical Research. Facts and information are already available. These facts and information are analysed to make critical evaluation. Data set of Indian listed companies in Information Technology, Information Technology Enabled Services and Pharmaceutical industries during the period 1999 to 2010 have been utilized for this study.
These industries are selected as a dataset for the research for the following major reasons:

- Prevalence of ESOP in these industries
- Requirement for talent retention in these knowledge-based industries

The study used secondary data. Secondary data are obtained from published material and documents. Data are gathered from Annual reports of companies, companies' websites, NSE publications, Capitaline database and Prowess database of CMIE (Center for Monitoring Indian Economy).
For studying ESOP design practices in these firms, data pertaining to the period 1999-2010 are considered because most of ESOP schemes were granted post 1999, after SEBI ESOS & ESPP Guidelines, 1999 (Securities Exchange of Board of India (Employees Stock Options Schemes and Employees Stock Purchase Plans Guidelines).

SAMPLING DESIGN

Disproportional Stratified Sampling is used for this study. A sample of 46 listed companies has been selected – 23 companies from IT & ITES sector and 23 companies from pharmaceutical sector. The companies are listed either on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) or both the exchanges. The sample comprises of listed companies that have announced ESOPs during the period 1999 – 2010.

STATISTICAL TOOLS

Descriptive analysis, Percentage analysis, Karl Pearson's correlation, Trend Lines, Bar diagrams and Pie diagrams are used for the analysis and interpretation of data.

ANALYSIS AND INTERPRETATION

Data collected for the study are tabulated and analysed in order to give meaningful interpretations regarding ESOP design practices adopted by companies in Indian IT&ITES and Pharmaceutical industries.

TABLE 1: TABLE SHOWING THE NUMBER OF PLANS ANNOUNCED BY IT & ITES AND PHARMACEUTICAL COMPANIES:

No. of Schemes / Plans announced				
No. of Plans	**IT& ITES Companies**		**Pharmaceutical Companies**	
	No. of Firms	Percentage	No. of Firms	Percentage
1	1	4.3%	11	47.8%
2	5	21.7%	6	26.1%
3	7	30.4%	4	17.4%
4	5	21.7%	2	8.7%
5	0	0%	0	0%
6	4	17.4%	0	0%
7	0	0%	0	0%
8	0	0%	0	0%
9	1	4.3%	0	0%
Total	23	100%	23	100%

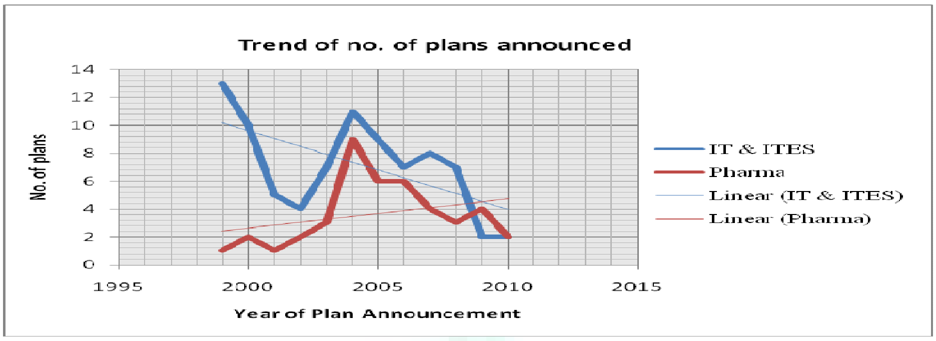
Table 1 shows that the least number of plans announced by an individual company in the IT&ITES industry is one and the highest number of plans announced is nine. The least number of plans announced by an individual pharmaceutical company is one and the highest number of plans announced is four.

TABLE 2: NO. OF PLANS ANNOUNCED PER YEAR FROM 1999 TO 2010:DESCRIPTIVE STATISTICS

Industry	N	Minimum	Maximum	Mean	Std. Deviation
IT&ITES	12	2	13	7.08	3.423
Pharmaceuticals	12	1	9	3.58	2.392

Table 2 indicates that between the years 1999 and 2010, number of plans ranging between a minimum of two plans and a maximum of thirteen plans were announced by IT&ITES companies. Moreover, during the same period, number of plans ranging between a minimum of one plan and a maximum of nine plans were announced by pharmaceutical companies.

CHART 1: TREND OF NO. OF PLANS ANNOUNCED PER YEAR FROM 1999 TO 2010



Trend lines of number of ESOP announcements drawn in Chart 1 show that there is an upward trend or growing trend in the number of plan announcements in the Pharmaceutical industry, whereas there is a downward trend or decreasing or declining trend in the number of plan announcements in the IT&ITES industry during the period between 1999 and 2010.

CHART 2: CHART SHOWING COMPANY-WISE ESOP PLAN DESIGN IN IT & ITES INDUSTRY

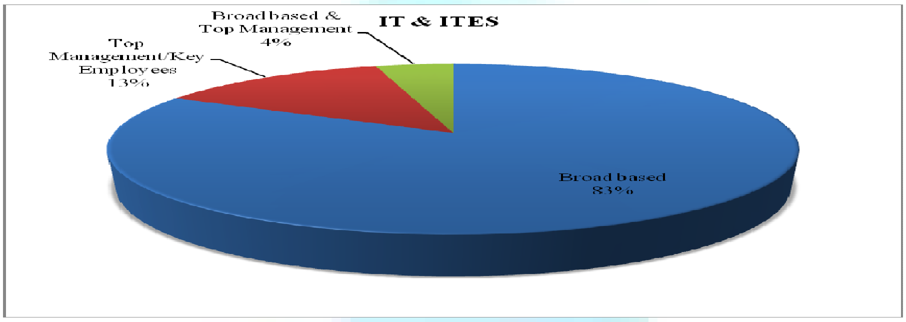


Chart 2 exhibits the ESOP plan design adopted by IT&ITES companies. 83% of the companies have Broad based ESOP plans covering employees at various levels, 13% of the companies have announced ESOP for Top Management or Key employees only and 4% have announced a combination of Broad based and Key employees ESOPs.

CHART 3: CHART SHOWING COMPANY-WISE ESOP PLAN DESIGN IN PHARMACEUTICAL INDUSTRY

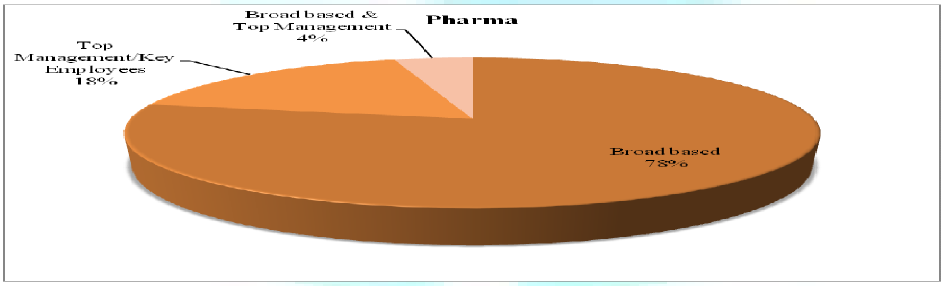


Chart 3 exhibits the ESOP plan design adopted by Pharmaceutical companies. 78% of the companies have Broad based ESOP plans covering employees at various levels, 18% of the companies have announced ESOP for Top Management or Key employees only and 4% have announced a combination of Broad based and Key employees ESOPs.

TABLE 3: TABLE SHOWING INDIVIDUAL PLAN-WISE DESIGN OF ESOP IN IT & ITES AND PHARMACEUTICAL INDUSTRIES

Plan Design – Plan-wise				
Design of Plans	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Plans	Percentage	No. of Plans	Percentage
Broad based	75	88.2%	33	76.7%
Top Management /Key Employees	10	11.8%	10	23.3%
Total	85	100%	43	100%

Table 3 shows individual plan-wise design of Employee Stock Options Plans in IT&ITES and Pharmaceutical companies. 88.2% of IT&ITES companies and 76.7% of Pharmaceutical companies have announced Broad-based plans under which options have been granted to employees at different levels. 11.8% of IT&ITES and 23.3% of Pharmaceutical companies have announced ESOPs only for the Key employees.

Although retention of key employees is most crucial for the companies, the sample companies have employee stock options plans under which options have been granted to employees belonging to different levels in the companies. Hence, the plans are broad-based in nature.

This is common in both IT&ITES and Pharmaceutical industries which is evident from the percentage of sample companies that have offered broad-based plans to their employees.

TABLE 4: PLAN DESIGN: SIGNIFICANT CORRELATION BETWEEN IT&ITES AND PHARMACEUTICAL COMPANIES: CORRELATIONS

INDUSTRY		ITITES	PHARMA
IT&ITES	Pearson Correlation	1	.998*
	Sig. (2-tailed)		.041
PHARMA	Pearson Correlation	.998*	1
	Sig. (2-tailed)	.041	

*. Correlation is significant at the 0.05 level (2-tailed)

Table 4 shows the correlations between IT&ITES and Pharmaceutical companies with regard to the plan design adopted for ESOPs. There is a high degree positive correlation (.998) which is significant at 0.05 level of confidence. This shows that the plan designs adopted by these firms are highly similar in nature.

TABLE 5: TABLE SHOWING SPECIFIC SIGNIFICANT GRANTS OF OPTIONS TO VARIOUS CATEGORIES OF EMPLOYEES BY IT & ITES AND PHARMACEUTICAL INDUSTRIES

Specific significant grants of options				
Category of employees covered	**IT & ITES companies**		**Pharmaceutical companies**	
	No. of Plans	Percentage	No. of Plans	Percentage
Senior Managers	21	24.7%	15	34.9%
Individual employee getting 5% or more options during a particular year	7	8.2%	0	0%
Individual employee getting 1% or more options during a particular year	3	3.5%	0	0%
Senior Managers and Individual employees getting 5% or more options during a particular year	8	9.4%	5	11.6%
Senior Managers and Individual employees getting 1% or more options during a particular year	1	1.2%	0	0%
Individual employees getting 5% or more during a particular year and Individual employees getting 1% or more options during a particular year	0	0%	0	0%
All three of the above present	3	3.5%	1	2.3%
None of the above present	42	49.4%	22	51.2%
Total	85	100%	43	100%

Table 5 indicates that under majority of the plans both in IT&ITES and Pharmaceutical industries, no significant grants of options have been made to particular categories of employees. Under 24.7% of plans in the IT&ITES companies and 34.9% of plans in the Pharmaceutical companies, significant options grants have been made to senior managers.

TABLE 6: TABLE SHOWING VALUATION MODEL ADOPTED FOR OPTIONS VALUATION

Valuation Model				
Model	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Firms	Percentage	No. of Firms	Percentage
Intrinsic Value Method	13	56.5%	15	65.2%
Fair Value Method	10	43.5%	8	34.8%
Total	23	100%	23	100%

Table 6 shows that 56.5% of IT&ITES and 65.2% of Pharmaceutical companies have adopted Intrinsic value method for the valuation of the options and the rest of the companies, 43.5% and 34.8% of the IT&ITES and Pharmaceutical companies respectively have adopted Fair value method for valuation of options issued by them.

TABLE 7: TABLE SHOWING THE ROUTE ADOPTED FOR ESOP ADMINISTRATION BY COMPANIES IN IT & ITES AND PHARMACEUTICAL INDUSTRIES

Route adopted for ESOP Administration				
Route	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Firms	Percentage	No. of Firms	Percentage
Trust Route	4	17.4%	4	17.4%
Direct Route	14	60.9%	19	82.6%
Both	5	21.7%	0	0%
Total	23	100%	23	100%

Table 7 shows that 60.9% and 82.6% of IT&ITES and Pharmaceutical companies respectively have adopted the direct route for the administration of Employee Stock Options Plans in their companies. 17.4% of both have adopted Trust route and 21.7% of IT&ITES companies have used a combination of both these routes.

CHART 4: CHART SHOWING THE PRICING FORMULA ADOPTED FOR PRICING OF OPTIONS

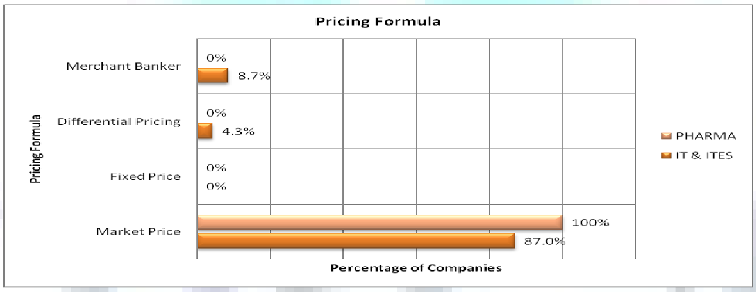


Chart 4 depicts that 100% of the Pharmaceutical companies and 87% of IT&ITES companies have granted their options at the Market price. Among IT&ITES companies, only 4.3% have adopted differential pricing formula and 8.7% have priced their options as per the formula given by merchant bankers.

CHART 5: CHART SHOWING THE BASIS FOR GRANTING OPTIONS TO EMPLOYEES IN IT & ITES AND PHARMACEUTICAL COMPANIES

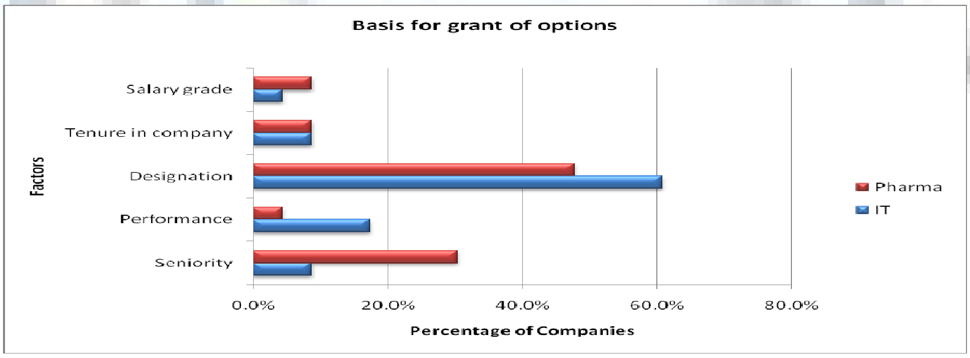


Chart 5 shows the various factors on the basis of which options have been granted to the employees in IT&ITES and pharmaceutical industries. Designation of the employees (60.9% and 47.8% respectively for IT&ITES and Pharmaceutical companies) ranks as the primary factor for options grants in both the industries followed by seniority and performance of the employees.

TABLE 8: TABLE SHOWING THE BASIS FOR VESTING OF OPTIONS IN IT & ITES AND PHARMACEUTICAL COMPANIES

Basis for vesting of options / Conditional vesting				
Basis for vesting	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Firms	Percentage	No. of Firms	Percentage
Time based	17	73.9%	22	95.7%
Performance based	4	17.4%	1	4.3%
Both	2	8.7%	0	0%
Total	23	100%	23	100%

Table 8 shows that 73.9% of IT&ITES companies and 95.7% of Pharmaceutical companies have time based vesting of options. 17.4% of IT&ITES companies and 4.3% of Pharmaceutical companies have performance based vesting of options. In 8.7% of IT&ITES options vest on the basis of time as well as performance of employees.

CHART 6: CHART SHOWING FREQUENCY OF OPTIONS GRANTS BY IT & ITES AND PHARMACEUTICAL COMPANIES

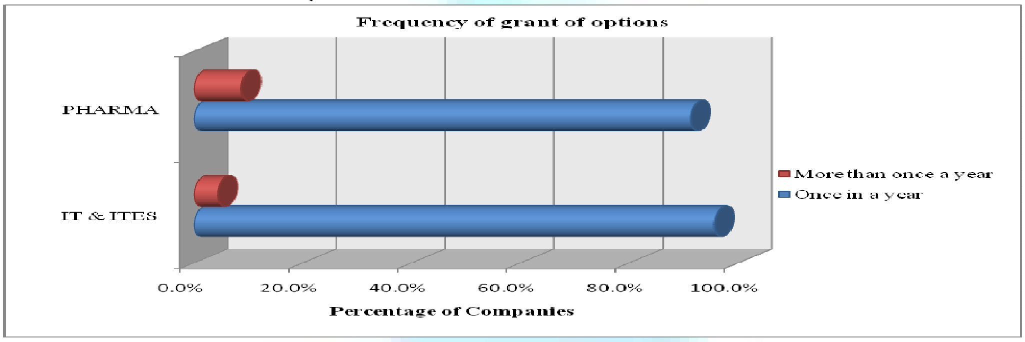


Chart 6 depicts that 73.9% of IT&ITES companies and 95.7% of Pharmaceutical companies grant employee stock options only once in a year and the rest of the companies grant options more than once a year.

TABLE 9: TABLE SHOWING THE VESTING PATTERN / VESTING SCHEDULE OF OPTIONS GRANTED BY IT & ITES AND PHARMACEUTICAL COMPANIES

Vesting pattern / Vesting Schedule				
Vesting Schedule	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Firms	Percentage	No. of Firms	Percentage
Uniform for all options	23	100%	23	100%
Differentiated for Senior Management and Juniors	0	0%	0	0%
Total	23	100%	23	100%

Table 9 shows that 100% of both IT&ITES and Pharmaceutical companies follow uniform vesting schedule for their senior managers and junior employees.

CHART 7: CHART SHOWING THE LIFE OF OPTIONS GRANTED (VESTING AND EXERCISE PERIOD OF OPTIONS) BY IT & ITES AND PHARMACEUTICAL COMPANIES

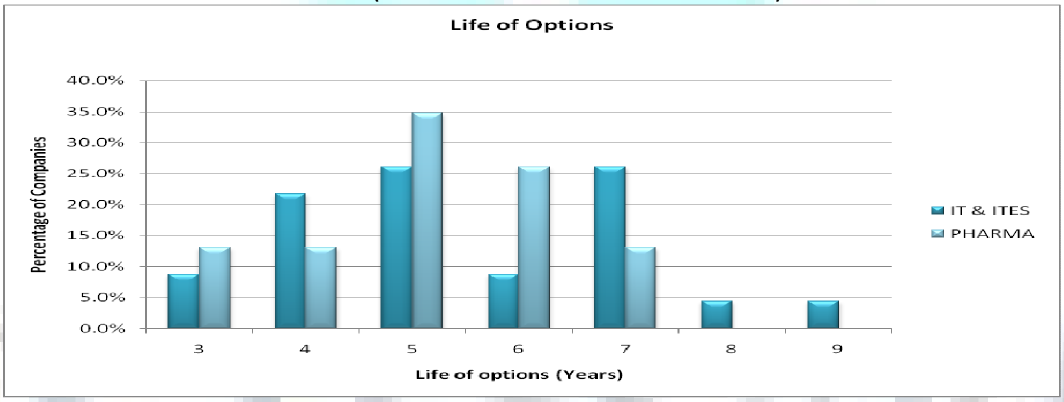


Chart 7 depicts that the life of the stock options granted by IT&ITES companies vary between three to nine years and those of Pharmaceutical companies vary between three to seven years. 26.1% of plans in IT&ITES and 34.8% of plans in Pharmaceutical companies have five years life, 26.1% of plans in IT&ITES and the same percentage of plans in Pharmaceutical companies have seven years and six years respectively as their life periods.

TABLE 10: TABLE SHOWING THE PURPOSE FOR ISSUING ESOP BY IT & ITES AND PHARMACEUTICAL COMPANIES

Purpose of ESOP				
Purpose of ESOP	**IT & ITES Companies**		**Pharmaceutical Companies**	
	No. of Companies	Percentage	No. of Companies	Percentage
Attracting Talent	10	43.5%	5	21.7%
Compensation	2	8.7%	2	8.7%
Incentive/Reward	11	47.8%	10	43.5%
Motivation	4	17.4%	9	39.1%
Retaining Talent	20	87.0%	16	69.6%
Sharing Ownership	2	8.7%	2	8.7%
Sharing Wealth	8	34.8%	3	13.0%

Table 10 lists down the purposes for which employee stock options are granted by IT&ITES and Pharmaceutical companies. Retention of talent ranks as the primary purpose of ESOP issues in both the industries followed by incentives, motivation, attraction of talent and sharing wealth as the second, third, fourth and fifth factors respectively. Factors such as ESOP as a component of employee compensation and a mode of sharing ownership with the employees share the sixth place as purposes of employee stock option plans issues.

FINDINGS

The significant findings of the study are as follows:

- The maximum number of plans announced by individual IT&ITES companies is nine and the minimum is one. The maximum number of plans announced by individual Pharmaceutical companies is four and the minimum is two.
- IT&ITES firms have announced a maximum of 13 plans and a minimum of two plans in a single year during the period between 1999 and 2010. Pharmaceutical firms have announced a maximum of nine plans and a minimum of one plan in a single year during the period between 1999 and 2010.
- The trend of plan announcements shows that the number of plans announced by Pharmaceutical companies show an increasing trend whereas that of IT&ITES companies show a declining trend.
- Majority of companies in both industries have announced Broad based stock options plans covering various categories of employees.
- Plan design adopted by companies in both industries is highly similar.
- Under majority of the plans in both industries, no specific significant grants of options have been made to any specific categories of employees.
- Majority of companies in both industries have adopted intrinsic value method for valuation of their stock options.
- In both industries, majority of the companies have adopted direct route for ESOP administration instead of trust route.
- All pharmaceutical companies and majority of IT&ITES companies have issued their employee stock options at market price.
- Primary basis for grant of employee stock options in both industries is designation of the employees followed by seniority and performance of employees as the second and third factors respectively.
- Time based vesting schedule is followed by majority of the companies in both industries.
- Options are issued only once a year by majority of the companies in both industries.
- Uniform vesting schedule of options for both senior and junior employees is followed in both industries by majority of companies.
- The options issued have a life period between three to nine years with a mean life of five years.
- Retention of talent has been identified as the primary purpose of ESOP issues in both industries.

CONCLUSION

The study revealed that Indian companies are clearer about their ESOP design practices after the SEBI ESOS & ESPP (Employees Stock Options Schemes and Employees Stock Purchase Plans) Guidelines, 1999. Still the number of plans announced is significantly low considering the benefits of ESOPs. Companies are yet to exploit the full potential of ESOPs given the present corporate scenario that calls for long term strategies for gaining competitive edge by companies in every sector of the economy.

ESOP is an ideal way to bring the key employees as well as a broad category of employees under the ownership or stakeholders tag. Moreover, ESOPs have great potential to attract prospective key employees to an organization if offered as part of the compensation package at the time of hiring. Hence, organizations can benefit by integrating employee stock options into the compensation packages of new hires. If designed, communicated and implemented systematically and carefully, ESOPs will go a long way in serving as an effective tool of employee compensation, reward, motivation and retention.

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APPENDIX

LIST OF SAMPLE COMPANIES

S.NO	IT&ITES COMPANIES	PHARMACEUTICAL COMPANIES
1	Datamatics Technologies Limited	Aurobindo Pharma Limited
2	Educomp Solutions Limited	Bal Pharma Limited
3	FCS Software Solutions Limited	Biocon Limited
4	Firstsource Solutions Limited	Dabur India Limited
5	Geometric Limited	Divi’s Laboratories Limited
6	HCL Infosystems Limited	Dr.Reddy’s Laboratories Limited
7	HCL Technologies Limited	Elder Pharmaceuticals Limited
8	Hexaware Technologies Limited	Glenmark Pharmaceuticals Limited
9	Info Edge (India) Limited	Ind-Swift Laboratories Limited
10	Infosys Technologies Limited	Ipca Laboratories Limited
11	KPIT Cummins Infosystems Limited	J.B.Chemicals & Pharmaceuticals Limited
12	Mastek Limited	Lupin Limited
13	Mindteck India Limited	Matrix Laboratories Limited
14	MindTree Limited	NATCO Pharma Limited
15	MphasiS Limited	Orchid Chemicals & Pharmaceuticals Limited
16	NIIT Limited	Piramal Healthcare Limited
17	Northgate Technologies Limited	Ranbaxy Laboratories Limited
18	Patni Computer Systems Limited	Shasun Chemicals and Drugs Limited
19	Polaris Software Lab Limited	Strides Arcolab Limited
20	Ramco Systems Limited	Suven Life Sciences Limited
21	Tech Mahindra Limited	Unichem Laboratories Limited
22	Wipro Technologies Limited	Venus Remedies Limited
23	Zensar Technologies Limited	Zenotech Laboratories Limited

AN ANALYSIS OF THE FACTORS OF ACADEMIC STRESS AMONG MANAGEMENT STUDENTS

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ABSTRACT
Academic stress among students has long been researched on, and researchers have identified different stressors. The objective of this study is to analyse the factors of academic stress among the management students. The study further tries to make an in-depth investigation of different aspects of academic activity that result in stress. The sample comprise of 200 students of management course from 20 professional colleges in Warangal district of Andhra Pradesh state. A questionnaire of 20 statements related to academics are given to the respondents to be rated on a five point scale starting from Disagree (1) and Agree (5). The factor analysis of the responses identified four factors named as curriculum, instruction and assessment, team work related and placement issues while grouping the given 20 components into these factors. The factor scores and weighted means of the factors imply that curriculum factor is of given priority by the respondents followed by teamwork aspect in creating academic stress. The instruction and assessment and placement factors are the subsequent stressors identified by the study.

KEYWORDS
Academic stress, Student stress, Stress among management students, Factor analysis.

INTRODUCTION
In the classic film, Catch-22, based on the novel by Joseph Heller, Alan Arkin walks with a doctor at the military base, amidst smoke and plane engines roaring for takeoff, and says "I don't want to fly anymore because it's too dangerous and it's made me crazy." The doctor, in sympathy yet with sternness, states, "I can't ground you just because you ask me; I can only ground crazy people." Arkin replies "Let me get this straight. I must be crazy to keep flying combat missions, but if I asked to be grounded because I'm crazy, then I must not be crazy and therefore I can't be grounded." The doctor confirms, "That's right; that's Catch 22." It seems that the same logic is prevalent today at the professional educational institutions in describing the hoops and hurdles thrust in the way of an average graduate student.

Stress is a necessary and unavoidable concomitant of daily living--necessary because without some stress we would be listless and apathetic creatures, and unavoidable because it relates to any external event, be it pleasurable or anxiety-producing. A person's response towards stress depends on whether an event is appraised as a challenge or a threat (Lazarus & Folkman, 1984). Challenging stimulus can lead to positive outcomes such as motivation and improved task performance while threatening ones or distress can result in anxiety, depression, social dysfunction and even suicidal intention.

Stress has become an important topic in academic circles. Many scholars in the field of behavioural science have carried out extensive research on stress and its outcomes and concluded that the topic needed more attention (Agolla, 2009). Stress in academic institutions can have both positive and negative consequences if not well managed (Stevenson & Harper, 2006). Academic institutions have different work settings compared to nonacademic and therefore one would expect the difference in symptoms, causes, and consequences of stress (Chang & Lu, 2007). It is important to the society that students should learn and acquire the necessary knowledge and skills that will in turn make them contribute positively to the development of the general economy of any nation. It is important for the institutions to maintain well balanced academic environment conducive for better learning, with the focus on the students' personal needs. Students have different expectations, goals, and values that they want to fulfill, which is only possible if the students' expectations, goals, and values are integrated with that of the institution (Goodman, 1993).

ACADEMIC STRESS

Academic stress among students have long been researched on, and researchers have identified stressors as too many assignments, competition with other students, failures and poor relationships with other students or lecturers (Fairbrother & Warn, 2003). Institutional level stressors are overcrowded lecture halls, semester system, and inadequate resources to perform academic work (Awino & Agolla, 2008). The pressure to perform well in the examination or test and time allocated makes academic environment very stressful (Erkutlu & Chafra, 2006). This is likely to affect the social relations both within the institution and outside which affects the individual person's life in terms of commitment to achieving the goals (Fairbrother & Warn, 2003). Knowing the causes of students stress will make the educational administrator know how to monitor and control the stress factors that are responsible for the students' stress.

Academic stressors include the student's perception of the extensive knowledge base required and the perception of an inadequate time to develop it (Carveth et al, 1996). Students report experiencing academic stress at predictable times each semester with the greatest sources of academic stress resulting from taking and studying for exams, grade competition, and the large amount of content to master in a small amount of time (Abouserie, 1994). When stress is perceived negatively or becomes excessive, students experience physical and psychological impairment. Methods to reduce stress by students often include effective time management, social support, positive reappraisal, and engagement in leisure pursuits (Murphy & Archer, 1996). The only scientific research that specifically related leisure satisfaction to academic stress was that of Ragheb and McKinney (1993) who established a negative association between academic stress and leisure satisfaction.

Often, graduate students perceive that faculty exert great power over their lives and feel that they live in a state of substantial powerlessness (Altbach, 1970). Another source of stress is the difficulty of achieving social intimacy. It is difficult to find a mate or maintain a relationship with an existing one. Graduate students tend to lack the time and/or the opportunity to develop interpersonal relationships (Hartshorn, 1976). Fear of academic failure related to these tasks is a definite stressor (Kolko, 1980).

Thus, stressors affecting students can be categorized as academic, financial, time or health related, and self-imposed (Goodman, 1993). Academic stressors include the student's perception of the extensive knowledge base required and the perception of an inadequate time to develop it ((Carveth et al, 1996). Students report experiencing academic stress at predictable times each semester with the greatest sources of academic stress resulting from taking and studying for exams, grade competition, and the large amount of content to master in a small amount of time (Abouserie, 1994).

College students have many obstacles to overcome in order to achieve their optimal academic performance. It takes a lot more than just studying to achieve a successful college career. Different stressors such as time management and social activities can all pose their own threat to a student's academic performance. The way that academic performance is measured is through the ordinal scale of grade point average (GPA). A student's GPA determines many things such as class rank and entrance to graduate school. Much research has been done looking at the correlation of many stress factors that college students' experience and the effects of stress on their GPA. Hatcher and Prus (1991) referred to these stress factors as academic situational constraints. Their study took into account a variety of factors that can diminish a student's academic performance. An undergraduate study done by Neumann et al (1990) concludes that college students may in fact experience the burnout phenomenon due to learning conditions that demand excessively high levels of effort and do not provide supportive mechanisms that would facilitate effective coping.

In a higher learning institutions where the demands placed on students are based on deadlines and pressure for excelling in tests or examination, the students are likely to be the victims of stress. This highlights the need for research to examine the sources of academic stress faced by students at various management institutions. With such knowledge, educationists will be able to pay more attention to the sources of academic stress of students and the use of counseling measures to assist students in the sound development of their bodies and mind.

STRESS AMONG MANAGEMENT STUDENTS

As the management education is an important medium that facilitates improvement of leadership qualities and turns out excellent future managers, which is quite evident. Students entering into the professional education needs to face many challenges to which they have never been exposed earlier. The pressure to earn good grades and to earn a degree is very high (Hirsch & Ellis, 1996). Other potential sources of stress include excessive homework, unclear assignments, and uncomfortable classrooms (Kohn & Frazer, 1986). In addition to academic requirements, relations with faculty members and time pressures may also be sources of stress (Sgan-Cohen & Lowental, 1988). Academic institutions have different work settings compared to nonacademic and therefore one would expect the difference in symptoms, causes, and consequences of stress in the two set up (Elfering et al., 2005; Chang & Lu, 2007). It is important to the society that students should learn and acquire the necessary knowledge and skills that will in turn make them contribute positively to the development of the general economy of any nation.

Do these situations really cause problems and academic stress? Do the differences in learning methods and teachers' teaching methods, in addition to the assignments, tests , project and course selection, cause academic stress in students?

REVIEW OF LITERATURE

Ong and Cheong (2009) found that academic stressors topped the list at 63%, interpersonal scored 17.5%, intrapersonal 13.0%, environmental 2.5% and 3.5% reported no stress at all among a sample of 285 international students in professional courses. The overall top five most frequently reported stressors were workload, lecturer characteristics, CGPA, too many tests and course difficulty.

Rao K and D K Subbakrishna (2006) of National Institute of Mental Health and Neuro Sciences (NIMHANS) conducted an appraisal of stress and coping behavior, on a group of 258 male and female undergraduates.

Piekarska (2000) pointed out that the essential factors for the formation of stress are frequent and strong. There is a related connection between the results of stress and psychological and personality characteristics.

According to Hirsch and Ellis (1996), the dynamic relationship between a person and the environment, in stress perception and reaction, is especially magnified in college students. The problems and situations encountered by college students may differ from those faced by their non-student peers.

Teachers often emphasize the acquisition of knowledge, so they often neglect the emotional feelings of students during the teaching process, which can cause emotional stress and learning problems for students. In addition, students may feel unfamiliar situations like nervousness, worry, frustration, abasement, depression, etc. The instability of these emotions easily initiates unusual behavior, which then affects the learning achievements and adjustment ability of students if appropriate timely counseling is not given by the institutions, teachers and parents, or if they cannot obtain appropriate concern from their peers or siblings (Chen et al, 2006).

The most significant academic stressors reported were items that are time-specific or subject specific which supports Carroll's (1963) contention that learning is a function of time allowed, aptitude, quality of instruction and ability to understand instruction. These core academic stressors were found to be relatively unchanged over time, as observed by Murphy and Archer (1996) who compared the academic stressors of their previous study with those experienced eight years later (Archer & Lamnin, 1985).

Past research found that collegiate stressors included: academics, social relationships, finances, daily hassles (for example, parking and being late) and familial relationships (Larson, 2006). Within each domain conflict, insufficient resources, time demands, and new responsibilities had characterized stress.

PURPOSE OF THE STUDY

An initial approach in stress management is often an analysis of the stressors, or events that have caused stress (Holmes & Rahe, 1967). In this regard, this study tries to identify different factors that resulted in stress for management students in various institutions spread across Warangal District of the state of Andhra Pradesh.

OBJECTIVE

The principle objective of the study is 'To find out the factors of academic stress experienced by management students'.

HYPOTHESIS

Generally, most of the hypotheses are developed basing on the commonly held notions. This study also begins by assuming 'That different aspects of the academic work process result in stress among management students.'

METHODOLOGY

The sample for this study comprises of 200 students of postgraduate management course from 20 professional colleges in Warangal district of the state of Andhra Pradesh. Given the purpose of the study, to investigate the factors of academic stress among the management students in Warangal region, the sample group should represent the population of management students in Warangal. Hence all the colleges offering management course were selected and ten students in the first year from each college were randomly selected for sampling, thus making the sample highly representative.

The primary data is collected through administration of the pre-designed questionnaire in the form of a battery of twenty statements related to different aspects of the academic activity, to be marked on a five-point scale against each statement being the value 1= Disagree and 5=Agree. The battery of statements is given in Table No-1. The data was processed in SPSS – 17 for Factor Analysis which is the most appropriate multivariate technique to identify the groups of determinants. Factor Analysis identifies common factors from the observed variables that link together the seemingly unrelated variables and provides insight into the underlying structure of the data.

TABLE-1: THE BATTERY OF STATEMENTS

Sl.No	Components
1.	Quantum of the course material to study
2.	Regularly attending class work
3.	Achieving the academic goals
4.	Fear of lagging behind in some subjects
5.	Facing the job interview
6.	High weightage components of the course
7.	Class participation and contribution to discussion
8.	Completing group assignments and joint presentations
9.	Choosing specialization
10.	Meeting deadlines for various activities of continuous assessment
11.	Uncertainty of suitable job profile
12.	Adjusting with diverse members of group and the group mindset
13.	About job location and pay package during placement process
14.	Getting a overall good grade
15.	Reading, learning and memorizing all the material
16.	Communicating with group members
17.	Performing oral presentation to the class and faculty
18.	Lack of clarity about future career
19.	Handling regular class work load
20.	Preparing for tests and assignments

In this study, Bartlett's Test of Sphericity has been used to test the validity of Factor Analysis and The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is run for establishing the effectiveness of Factor Analysis. Taken together, these two critical tests provide a minimum standard which should be passed before conducting a Factor Analysis. The statistical technique of Factor Analysis helps to summarize most of the original information into a minimum number of factors for prediction purpose based on the total variance explained.

Another technique used is Rotated Component Matrix. Varimax rotation is one of the most popular methods used to simplify the factor structure by maximizing the variance. After identifying the factors, factor scores are estimated for each factor. The reliability of each factor score is established with the help of Cronbach's alpha - a widely used measure of internal consistency, that is, how closely related a set of items are as a group.

RESULTS AND ANALYSIS

VALIDITY

Initially, Bartlett's Test of Sphericity is used to test the validity of Factor Analysis.

TABLE-2: KMO AND BARTLETT'S TEST (SPSS OUTPUT)		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.778
Bartlett's Test of Sphericity	Approx. Chi-Square	3588.008
	df	190
	Sig.	.000

It is observed from Table-2 that the Chi-Square value is 3588.008 with a significance value of less than 0.05 which indicates that the Factor Analysis is valid in case of the present study at 5% level of significance level. Also, the KMO Coefficient is 0.778 which is greater than 0.5 implying that the use of Factor Analysis for data reduction is effective. This measure varies between 0 and 1, and values closer to 1 are better. A value of 0.6 is a suggested minimum.

EIGEN VALUES

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TABLE-3: TOTAL VARIANCE EXPLAINED (SPSS OUTPUT).

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.314	41.569	41.569	8.314	41.569	41.569	4.538	22.691	22.691
2	2.999	14.996	56.565	2.999	14.996	56.565	3.870	19.351	42.042
3	2.269	11.346	67.912	2.269	11.346	67.912	3.495	17.475	59.517
4	1.165	5.826	**73.738**	1.165	5.826	**73.738**	2.844	14.221	**73.738**
5	.844	4.221	77.959						
6	.700	3.498	81.457						
7	.525	2.623	84.080						
8	.498	2.488	86.568						
9	.469	2.345	88.913						
10	.421	2.104	91.017						
11	.338	1.689	92.706						
12	.317	1.584	94.289						
13	.272	1.362	95.651						
14	.233	1.163	96.814						
15	.173	.866	97.680						
16	.165	.824	98.505						
17	.126	.629	99.134						
18	.081	.406	99.540						
19	.063	.314	99.854						
20	.029	.146	100.000						

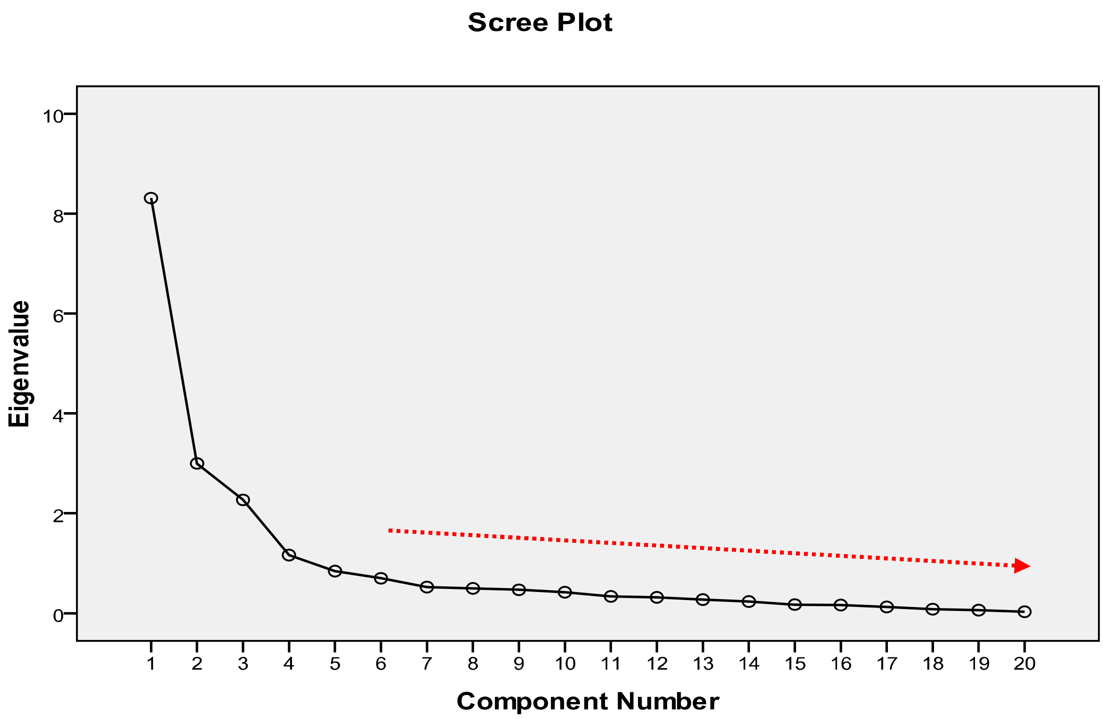
Extraction Method: Principal Component Analysis.

The initial number of factors is the same as the number of components/variables used in factor analysis. From Table-3, it is evident that only four factors have eigen values greater than one. Hence the present study has four factors under which all the twenty components can be regrouped into. The fourth row shows a cumulative value of 73.738 which means that these four factors together account for 73.738% of the total variance.

SCREE PLOT

The Scree Plot in Graph-1 depicts the eigen values from table-3, against the component number. It is very clear that the values of the first four columns are higher than one. From the fifth component onwards, the line is more or less running flat, meaning that each successive component, other than the first four, is accounting for smaller and smaller amounts of the total variance. Hence the point of principal component analysis is to redistribute the variance in the correlation matrix, using the method of eigen value decomposition, to redistribute the variance to first components extracted.

GRAPH-1: SCREE PLOT (SPSS OUTPUT)



CONSTITUENT COMPONENTS OF THE FACTORS

TABLE-4: ROTATED COMPONENT MATRIX (SPSS OUTPUT)	Component			
	1	2	3	4
Lack of clarity about future career	**.896**	-.008	.068	.204
Preparing for tests and assignments	**.858**	.086	.051	.056
Class participation and contribution to discussion	**.841**	.095	.248	.158
Performing oral presentation to the class and faculty	**.770**	.216	.239	.342
Meeting deadlines for various activities of continuous assessment	**.712**	.304	.089	.165
Completing group assignments and joint presentations	**.707**	.054	.258	.252
About job location and pay package during placement process	.095	**.864**	.207	.016
Quantum of the course material to study	-.026	**.801**	.083	.309
Handling regular class work load	.164	**.783**	-.293	.203
Achieving the academic goals	.278	**.780**	.084	-.223
Choosing specialization	.108	**.758**	.100	.340
Uncertainty of suitable job profile	.057	**.647**	.530	-.059
Regularly attending class work	.129	.100	**.798**	.118
Fear of lagging behind in some subjects	.348	-.011	**.792**	.173
Getting a overall good grade	.062	.100	**.760**	.311
Adjusting with diverse members of group and the group mindset	.193	.069	**.658**	.431
Communicating with group members	.378	.135	.160	**.776**
Reading, learning and memorizing all the material	.314	.117	.390	**.735**
Facing the job interview	.290	.186	.416	**.713**
High weightage components of the course	.244	.131	.485	**.533**

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

The orthogonal rotation method VARIMAX was used to identify a meaningful pattern in the factors. VARIMAX minimizes the number of variables that have high loadings on each factor. The rotated factor loadings are presented in table-4 which are the correlations between the component and the factor. A high loading makes the component representative of the factor. The overall goal of the study is to find components, which measure either Curriculum related or Instruction and Assessment related or Placement related or Teamwork related aspects and therefore primarily load onto one dimension. The rotated component matrix identifies the constituent components of the factor. As we can observe from Table-4, that four rotated factors have been extracted.

TABLE-5: FACTORS AND CONSTITUENT COMPONENTS BASED ON THE ROTATED VALUES

Factors	Components with respective numbers in question battery.
Factor-1 (Curriculum related)	1. Quantum of the course material to study 3. Achieving the academic goals. 4. Fear of lagging behind in some subjects. 6. High weightage components of the course. 9. Choosing specialization. 15. Reading, learning and memorizing all the material.
Factor-2 (Instruction and Assessment related)	2. Regularly attending class work. 7. Class participation and contribution to discussion. 10. Meeting deadlines for various activities of continuous assessment. 14. Getting a overall good grade. 19. Handling regular class work load. 20. Preparing for tests and assignments.
Factor-3 (Placement related)	5. Facing the job interview. 11. Uncertainty of suitable job profile. 13. About job location and pay package during placement process. 18. Lack of clarity about future career.
Factor-4 (Teamwork related)	8. Completing group assignments and joint presentations. 12. Adjusting with diverse members of group and the group mindset. 16. Communicating with group members. 17. Performing oral presentation to the class and faculty.

THE FACTORS AND SCORES

By understanding the constituent components of each factor, we can assign appropriate title to each factor as follows.

- Factor-1: Curriculum related
- Factor-2: Instruction and Assessment related
- Factor-3: Placement related
- Factor-4: Teamwork related

The factor scores calculated basing on the component score coefficient matrix generated by SPSS-17, are as follows:

TABLE-6: CALCULATED FACTOR SCORES & WEIGHTED AVERAGE VALUES

Factor Name	Factor Score	Weighted Mean
Curriculum related	13.861	2.543
Instruction and Assessment related	8.495	2.287
Placement related	0.918	2.220
Teamwork related	8.832	2.475

The factor scores are calculated based on the Component Score Coefficient Matrix in SPSS Output.
The weighted average values are calculated based on the frequency of the responses.

RELIABILITY STATISTICS FOR THE FACTORS

TABLE-7: CRONBACH'S ALPHA VALUES (SPSS OUTPUT)

Factor Name	Cronbach's Alpha	N of Items
Curriculum related	.758	6
Instruction and Assessment related	.724	6
Placement related	.613	4
Teamwork related	.813	4

To establish the internal consistency of the factor scores, Cronbach's alpha is used. From table-7, it can be seen that the Alpha values for the factors are 0.758; 0.724; and 0.613; and 0.813 respectively. A high value of alpha is often used as evidence that the items measure an underlying construct. Hence it can be concluded that the factor scores are highly reliable.

DISCUSSION

The Factor analysis of the responses on the twenty statements throws good light on the areas of academic stress for management students in Warangal region. The given twenty statements are statistically segregated into four different factors related to academic process named as Curriculum related; Instruction and Assessment related; Placement related; and Teamwork related.

CURRICULUM RELATED

Not surprisingly, much of the academic stress at graduate level is related to what students learn and how they learn it. There's a lot of pressure for the present generation management students to learn more and more than the past generations. Just as it can be stressful to handle a heavy and challenging workload, some students can experience stress from regular academic work that isn't difficult enough.

Six of the given components are labeled under factor-1 which is aptly named as 'curriculum related' by understanding each of the components, as given below.

- Quantum of the course material to study.
- Achieving the overall academic goals.
- Fear of lagging behind in some subjects.
- High weightage components of the course.
- Choosing specialization. and
- Reading, learning and memorizing all the material.

The above points are integral to the curricular aspect of academics which can't be avoided by students at any stage of the course. Negligence of any of the above issue may naturally result in lagging behind. Achieving the overall academic goals by studying, learning and memorizing the huge quantum of the syllabus and preparing oneself for the future by choosing the suitable specialization are the critical first steps of a successful career. Those who neglect these aspects may lag behind their peers. So, students- specifically the students of the highly competitive courses like management, naturally give a lot of importance to this curricular aspect which may serve as a major source of academic stress among them. The derived high factor score (13.861) indicates the importance given to it by the respondents. This is further supported by a high is supported by the weighted average value (2.543) calculated for the same factor. Thus, the high factor score and weighted mean values indicate the prominence of the curricular aspect of academics in resulting in academic stress among management students.

TEAMWORK RELATED

At the student stage it is felt that mixing with the randomly made formal teams for the sake of group assignments and joint presentations is an important aspect of academic stress. Since the students hailing from different places, religions, cultures and societies are admitted into an institution. Once they are part of the class, the formal groups are made by the faculty or administration for inculcating the spirit of team work culture among the students. Definitely these formal grouping is not done on the basis of habits, preferences, and the individual likes and dislikes. Thus, there is a great scope that this may be a potential stressor in academics specifically in the case of management students.

Another four components have been loaded into factor number two named as 'Teamwork related' with second highest factor score (8.832) which is supported by the weighted mean of 2.475 on a scale of 1 to 5. The components grouped into this factor are as follows:

- Completing group assignments and joint presentations.
- Adjusting with diverse members of group and the group mindset.
- Communicating with group members.
- Performing oral presentation to the class and faculty.

Adjusting with diverse members of the group, communicating with them for completing joint presentations and group assessments and performing before the class and faculty on behalf of the group are the components responsible for stress under the second factor named as 'team work related' after going through the components grouped together. The high factor score and the weighted mean support this hypothesis.

INSTRUCTION AND ASSESSMENT RELATED

Curriculum and instruction form the basis for the academic activity. Any institution or any course cannot fulfill the academic requirements without the predetermined curriculum and structured instruction. Each course has a minimum requirement of instruction hours of the specified curriculum. Hence class work is an integral part of any academic endeavour. There is no substitute for class work in academics. Moreover, class work forms the main body of the course. Students have to participate in the curriculum and instruction process by attending the regular class work and fulfill the requirements in the form of completion of assignments, reading and understanding the specified topics, complying with the minimum attendance requirements, completing the group tasks which are compulsory for assessment and so on. Any student of academics, at whatever level of study he/she may be, must fulfill these requirements to complete the course. Naturally, such well structured academic activity results in stress among a major portion of the students. There is no way to escape or avoid and coping with the resultant stress is inevitable.

Assessment is a central element in the overall quality of teaching and learning in higher education. Well designed assessment sets clear expectations, establishes a reasonable workload and provides opportunities for students to self-monitor, rehearse, practice and receive feedback. Assessment is an integral component of a coherent educational experience. The repertoire of assessment methods in use in higher education has expanded considerably in recent years. New assessment methods are developed and implemented in higher education, for example: self and peer assessment, portfolio assessment, simulations, and overall assessment. The latest constructivist theories and practices go together with a shift from a 'test' or 'evaluation' culture to an 'assessment' culture (Birenbaum, 1996). The students' perceived assessment requirements seem to have a strong relation with the approach to learning a student adopts when tackling an academic task. Similar findings emerged from the Lancaster investigation (Ramsden, 1981) in relation to a whole series of academic tasks and also to students' general attitudes towards studying. Students often explained negative attitudes in terms of their experiences of excessive workloads or inappropriate forms of assessment. The experience of learning is made less satisfactory by assessment methods which are perceived to be inappropriate ones. High achievement in conventional terms may mask this dissatisfaction and also hide the fact that students have not understood material they have learned as completely as they might appear to have done. Assessment is therefore a potent strategic tool for educators with which to spell out the learning that will be rewarded and to guide students into effective approaches to study. Equally, however, poorly designed assessment has the potential to hinder learning or stifle curriculum innovation. But designing assessment to influence students' patterns of study in positive ways can present significant challenges.

Another six components are formed into a third factor logically named as 'Instruction and Assessment related' by understanding the components as given below:

- Regularly attending class work.
- Class participation and contribution to discussion.
- Meeting deadlines for various activities of continuous assessment.
- Getting a overall good grade.
- Handling regular class work load.
- Preparing for tests and assignments.

Meeting the dead lines of continuous assessment and ensuring regular class participation to attain a good grade is, no doubt, a tough task. But this serves as training for the students' future hectic corporate career. However, this is identified as a point of stress among the respondents. The derived factor score (8.495) implies that this factor also is an important contributor for the academic stress among management students. The same is supported by a weighted mean value of 2.287.

PLACEMENT RELATED

Placement of the management students with the fast growing private sector companies is a recent phenomenon. In fact, many of the students join management courses with an intention to achieve better placement with good corporate. The institutes also are working towards meeting the needs of their students. Hence, due to the importance given to this aspect, the researchers are forced to include this aspect as a potential source of academic stress among the students of management course. Many a time students are worried about their future placement. Naturally this worry rises to the level of anxiety and results in stress among many students.

The remaining four components loaded into this factor are:

- Facing the job interview.
- Uncertainty of suitable job profile.
- About job location and pay package during placement process.
- Lack of clarity about future career.

Grouping four components into one factor named as 'Placement related' implies that this serves as a source of stress among the respondents. The weighted mean (2.220) labels this factor as a potential source of stress. But the low factor score - 0.918 indicates the preference given to it by the respondents. Placement is an activity happen at the end of the course. Hence the current worry of the respondents is other factors than placement even though it is a potential stressor at a later point of time.

CONCLUSION

Thus, the factor analysis of the 20 components for this study concludes that there are four aspects of possible stressors for management students related to curriculum, instruction and assessment, placement and teamwork aspects. Six components each are grouped under curriculum and instruction and assessment aspects while four each were loaded into teamwork and placement factors. However, the respondents have given high priority to curriculum and teamwork related aspects followed by instruction and assessment and placement areas. Thus by factor analysis of different components of academic process in the management education setup in Warangal region, it can be concluded that four major areas have been identified. The factor scores and the weighted means indicate the prominence given to each of these factors by the respondents. The curriculum factor has attracted high prominence followed by the teamwork aspect. The instruction and assessment and placement issues also are contributing for academic stress among the respondents. The academic administrators at the professional courses level can understand the implication of this analysis and adjust the identified factors to reduce, if not avoid, the academic stress to the students.

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LIQUIDITY, PROFITABILITY ANALYSIS OF INDIAN AIRWAYS SECTOR - AN EMPIRICAL STUDY

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ABSTRACT

This paper makes an attempt to provide an insight into the conceptual side of trade-off between liquidity and profitability and to assess the liquidity & profitability position of different Airways Companies viz. Air India, Indian Airlines, Kingfisher & Jet Airways, during the period of 6 years (i.e. from 2000-2001 to2005-2006). It also makes an endeavor to measure the correlation between liquidity and profitability. The study is based on secondary data collected from published annual reports of different selected companies mentioned earlier. The available data have been analyzed by using some important managerial and statistical tool namely correlation and statistical test viz. students' t'-test, has been applied to test the significance of the results of the empirical study. The article has been divided into two parts namely Conceptual Perspectives and Case Study. Ultimately the article concludes with some valid recommendations which deserve the attention of the management of all the concerned companies under study and government.

KEYWORDS
Liquidity, Profitability, CR, QR, ITR, DTR & ROCE.

INTRODUCTION

A business enterprise specifically a company is a conscious, deliberate and purposeful creation for satisfying the domain of aspiration of the society at large. It is an independent and a separate legal entity. The survival stability and growth of such entity within the society largely depend on the successful liquidity and profitability management through the collective efforts of all the stakeholders–shareholders, providers of loan capital, employees and the government, consumers, general people at large etc. All these stakeholders are the parties to whom the result of operations of business is communicated. Public Sector Enterprises (PSEs) in India have been incurring losses due to their inefficient utilization of productive capacity. This has led to a slow and inadequate rate of economic growth in the country. Judicious blending of fixed capital and working capital and their effective utilization ensures better productive capacity, good profitability and sound liquidity of the enterprises which are inevitable on the part of the enterprises to earn sufficient surplus for their growth and to maintain their perpetual succession in the present competitive and changing environment. Public enterprises, so far, have given emphasis on growth and efficiency of fixed capital neglecting effective management of working capital, which is not desirable. Though, performance of PSEs is progressively low, investment in those enterprises in India has been growing up significantly since 1950s. This indicates the positive attitude of the government towards generation of greater employment opportunity for the vast population of the country by establishing more and more PSEs along with higher blockage of fund following the traditional production function approach whereby fixed capital is considered as one of the explanatory variables to establish the relationship between output and profit ignoring the role of working capital.

In the wave of globalization and economic liberalization, growth and survival stability of the enterprises largely depend on the effective management of liquidity and profitability position, which has a direct bearing on the economic well being of the country as a whole. In the present article we have taken Air India, Indian Airlines, Kingfisher and Jet Airways for the case study purpose.

CONCEPTUAL PERSPECTIVES

Liquidity-Profitability tangle: The relationship between liquidity and profitability can be explained with the help of return on capital employed ratio expressing it in the following form:

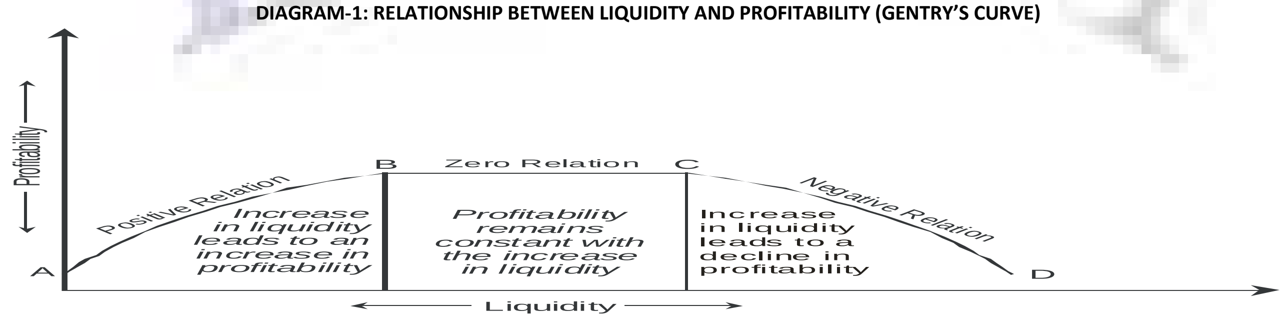
$$P = \frac{EBIT}{(FA + NWC)}$$ where,

P = Profitability, EBIT = Earnings before interest and taxes, and NWC = Net working capital.

This ratio indicates that other things remaining unchanged, continuous reduction in NWC (i.e. liquidity) improves the profitability (P) of a firm with the simple passage of time. This suggests that there always exists a negative relation between liquidity and profitability. But in reality it is seen that unless there is a minimum level of investment in CA, which could provide a promising vehicle for increasing profitability, the required amount of output and sales cannot be maintained. Therefore, upto a certain level liquidity and profitability are complementary to each other. In this connection James E. Gentry hypothesized that upto a certain level, increase in liquidity will lead to a corresponding increase in profitability. Beyond that profitability remains constant with the increase in liquidity within a specified domain. Therefore, any further investment in CA will lead to decline in profitability.

Thus, the shape of the curve showing the relationship between liquidity and profitability seem to be an inverted teacup. This is shown in the following diagram:

DIAGRAM-1: RELATIONSHIP BETWEEN LIQUIDITY AND PROFITABILITY (GENTRY'S CURVE)



STRATEGIES IN WORKING CAPITAL MANAGEMENT

At the time of adopting working capital strategy of a firm the Financial Manager should give emphasis on the following two important dimensions of working capital management:

i) Relative Asset Liquidity (or level of CA*)*

It is measured by Current Assets to Total Assets ratio. The greater the ratio the less risky as well as less profitable will be the firm and vice-versa; and

ii) Relative Financing Liquidity [or level of short term financing (STF)]

It is measured by the short term financing to total financing ratio. The lower this ratio the less risky as well as less profitable will be the firm and vice-versa.

In connection with the tradeoff ff between liquidity and profitability a company may adopt three types of working capital strategies viz.: (a) conservative strategy, (b) aggressive strategy and (c) moderate strategy.

The firm following conservative working capital strategy combines a high level of current assets in relation to sales with a low level of short term financing. Excess amount of current assets enable the firm to absorb sudden fluctuations in sales, production plans and procurement time without disturbing the continuity in production. The higher the level of current assets reduces the risk of insolvency. But at the same time lower risk translates into lower profitability.

The firm following aggressive working capital strategies, on the other hand, would combine low level of current assets with a high level of short term financing. This firm will have high profitability and greater risk of insolvency.

The moderate firm would like to combine moderate level of current assets in relation to sales with moderate level of short term financing to maintain a fine balance between the risk of insolvency and profitability.

Thus, the considerations of assets and financial mixes are very much crucial to the working capital management of a firm.

OBJECTIVES OF THE STUDY

The main objective of the present article is to provide an insight into the conceptual side of trade off between liquidity and profitability and to assess the efficiency of the management in maintaining good liquidity, profitability in different Air ways Sectors on the basis of available data collected from published Annual Reports of the companies over the period of 6 years (i.e. from 2000-2001 to2005-2006). The specific objectives of this study are as follows:

I. To measure, test and evaluate the liquidity position of the selected companies namely Air India, Indian Airlines, Kingfisher and Jet Airways under study.
II. To determine the profitability position of the selected companies under study.
III. To find out the correlation between liquidity and profitability of these companies.
IV. To point-out the tradeoff between liquidity & profitability.
V. To establish the linear relationship between liquidity and profitability.

DATA BASE AND METHODOLOGY

The study is based on secondary data collected from the audited Profit & Loss A/c and Balance Sheet associated with schedules, annexure available in the published annual reports of Air India, Indian Airlines, Kingfisher and Jet Airways. The company and the industry have been selected for illustrative purposes only. There were no bios neither in selection of industry nor in selection of companies. For the purpose of the study public enterprise survey reports, government publications etc. have been used for intensive consultations. Journals, Conference proceedings and other relevant documents have also been consulted to supplement the data. The study covers a period of 6 years (i.e. from 2000-2001to 2005-2006). The available data have been analyzed by using various financial ratios as a managerial tool as well as a simple statistical tool like, simple Correlation coefficient. Statistical tests viz., t-test has been applied for the purpose of testing the results obtained on the basis of empirical study.

LITERATURE REVIEW

Several studies have been conducted in India regarding the relationship between profitability and working capital management. A brief explanation regarding such studies is shown in the following paragraphs:

Chakraborty (1976) examined the relationship between profitability and working capital turnover in Indian Sugar, cement and fertilizer industries and reported a positive association. Prasad (2000) conducted a study on the working capital management in paper industry. He revealed that the executives properly recognized the role of efficient use of working capital in liquidity and profitability. But he could not achieve it in practice due to the sub-optimum utilization of working capital**. Mukherjee (1988**) made a study on working capital management in twenty central public sector undertakings and revealed that out of 20, positive association was found between liquidity and profitability in 11 cases and negative association in 9 cases. However, the study ultimately concluded an adverse relationship between liquidity and profitability as a whole.

An identical study on this issue was also conducted by **Mallick and Sur (1998)**. They made an attempt to analyze the impact of working capital management on profitability in Indian Tea industry with the help of some statistical tools and techniques. The study revealed that, out of the nine ratios relating to working capital management five ratios registered positive association and the remaining four ratios showed negative correlation with the profitability indicator. **Rao & Rao (1999**) undertook a similar type of study where ten ratios relating to working capital management were selected. Out of these indicators, positive association was noticed only in three. **Mallick and Sur (1999**) in another study on the working capital management of a leading FMCG company witnessed a very high degree of positive association between liquidity and profitability. **Chundawat & Bhanawat (2000**) analyzed the working capital management practices in IDBI, with the help of some relevant ratios and they observed that the working capital management of IDBI associated companies was more effective than the industry as a whole. **Sur & Rakshit (2005)** conducted a study regarding the linkage between asset management and profitability in 25 selected companies in Indian industries. The study registered both positive and negative association between receivable turnover and profitability. However, the combined provision weak evidence of an inverse association between the profitability and inventory turnover. More specifically, "The result of the analysis of multiple determinations makes it clear that 47.75% of the total variation in the corporate profitability was accounted for by the joint variation in the efficiency of receivable management, inventory management and long term operating asset management"

CASE STUDY

COMPANY PROFILE (AIR INDIA)

Air-India is India's finest flying Ambassador. The urge to excel and the enthusiasm which characterized Air-India's first flight way back on October 15, 1932 is quintessential even today--thanks to eighteen thousand Air Indians who have kept alive the tradition of flying high! Air India, as the national carrier, has traditionally played a pivotal role in promoting tourism to India. Air India is India's national flag carrier. Although air transport was born in India on February 18, 1911 when Henri Piquet, flying a Humber bi-plane, carried mail from Allahabad to Naini Junction, some six miles away, the scheduled services in India, in the real sense, began on October 15, 1932. It was on this day that J.R.D. Tata, the father of Civil Aviation in India and founder of Air India, took off from Drigh Road Airport, Karachi, in a tiny, light single-engined de Havilland Puss Moth on his flight to Mumbai (then known as Bombay) via Ahmedabad. Mr.V.V.S.Laxman, the famous Indian cricketer and Deputy General Manager (Commercial) of Air India has been conferred the prestigious Padma Shri Award. Mr.Laxman who is posted at Hyderabad will be the sixth Air Indian recipient of this prestigious award. The earlier Padma Shri awardees from Air India are Mr.M.S.Dhoni and Mr.Harbhajan Singh – cricketers and the hockey veterans Mr.Mukesh Kumar, Dilip Tirkey and Mr.Dhanraj Pillai.

COMPANY PROFILE (INDIAN AIRLINES)

Indian Airlines has been setting the standards for civil aviation in India since its inception 1953. It was India's first state-owned domestic airlines. It has now been merged with Air India for corporate purposes, though for now continues to issue its own tickets. Till 1990 Indian Airlines enjoyed a monopoly in the Indian airspace. The economic liberalization process initiated by the Govt. of India ended Indian Airlines' dominance of India's domestic air transport industry. It faced tough competition from private airlines like Jet Airways, Air Sahara, East-West Airlines and others. It has many firsts to its credit, including induction of the wide-bidied A300 aircraft on the domestic network, the fly-by-wire a320 domestic shuttle service and walk-in Flights. Its unique orange and white logo emblazoned on the tails of all its aircrafts is perhaps the most widely recognized Indian brand symbol and over the years has become synonymous with service, efficiency and reliability. India's chiefly domestic state-owned carried Indian Airlines Ltd.flies passengers and cargo to 59 domestic and 16 international destinations. It fleet numbered 52 aircraft in 2000. Indian Airlines has traditionally based its network around the four main hubs of Delhi, Mumbai, Kolkata and Chennai. The airline carries about 6 million passengers a year and has a substantial freight operation.

COMPANY PROFILE: (KINGFISHER)

At Kingfisher, a flight is not a journey between two airports but an experience of a lifetime. Be it Business or Leisure, Kingfisher offer a range of aircraft that includes the Euro copter EC155, Business Jets and Airbus Corporate Jets. For a group charter, choose from a fleet which includes Airbus 321, Airbus 320, Airbus 319, ATR 72-500 and ATR 42-500 aircraft depending on your requirements.

As Kingfisher takes off into the international skies, you can expect a world-class experience. Every Kingfisher aircraft meets the global standards that I have set in terms of safety and performance. Our brand-new fleet incorporates the latest technology and each aircraft is fitted with a personalized in-flight entertainment system and top quality programming content from around the world for your viewing and listening pleasure, and to create an environment that you will truly cherish.

Aboard our flights, you will be delighted by the various sensory experiences on offer – from tantalizing aromas of world cuisine to the magic touch of your personal therapeutic massage seat - we really have thought about every little thing that will exhilarate you.

COMPANY PROFILE (JET AIRWAYS)

Jet Airways (India) Limited (JAIL) was incorporated in 1st April of the year 1992 as a private company with limited liability and it commenced operations as an Air Taxi Operator in 5th May of the year 1993 with a fleet of four leased Boeing 737 aircraft and also having ISO 9001 certification for its in-flight services. The Company became the first airline in India to operate the Boeing 737-400 Aircraft in April of the year 1994 and it operates one of the youngest aircraft fleets in the world today. The Company was granted the scheduled airline status in 14th January of the year 1995. Jet Airways became a deemed public company in 1st July of the year 1996.

Jet Airways was reconverted into a private company as at 19th January 2001. The Company bagged the prestigious Air Transport World Award 2001 for Market Development and the TTG Travel Award 2002 for Best Domestic Airline. In the year 2004, the company made tie up with the South African Airways. During the year 2005, Jet Airways Limited has filed its draft Red Herring Prospectus with the Securities and Exchange Board of India (SEBI) to enter the capital market with its initial public offering for used to fund its international expansion plans. Jet Airways became a public company in 28the December of the year 2004. The Company launched its first inter-continental flight by linking Mumbai with London Heathrow by a non-stop day flight in the month of May during the year 2005. In 2006, the company signed a special code sharing (SPA) agreement with American Airlines, the world's largest carrier, for India and US flights. The Company introduced a second Mumbai-London (Heathrow)-Mumbai frequency effective from 10th July of the year 2006 and commenced its operations on the Amritsar-London (Heathrow)-Amritsar sector in 4th August of the year 2006. The Memorandum of Understanding (MOU) was made with Lufthansa Technique AG, Germany in the year 2007 for A330/B777 Component Works, Personnel Assignment Services and Maintenance Management Services. Also in the same year 2007, Jet Airways inked 8mn aircraft lease agreement and introduced its first flight from Chennai to Toronto, via its hub in Brussels. In September 2007, Brussels Airlines declared as Jet Airways new frequent flyer programme partner, Under this programme, members of Jet Privilege and Privilege Programmed of the Belgian airline will be able to cash in the air miles on each other's network.

Jet Airways and Etihad Airways, the national carrier of the United Arab Emirates, had inked a code share agreement in June of the year 2008 and reciprocal frequent flier partnership on the New Delhi-Mumbai-Abu Dhabi sectors. In same June 2008, launched its daily Mumbai-Shanghai-San Francisco flight, becoming the first Indian private carrier to operate to China. The Company enhanced its network connectivity from Pune with the launch of its new direct services to Hyderabad, Nagpur & Ahmadabad effective from July 15th 2008. During the same month, Jet Airways got permission for fly to Dubai from Delhi and Mumbai.

DATA ANALYSIS

TABLE-1: ANALYSIS OF LIQUIDITY AND PROFITABILITY OF INDIAN AIRLINES AND AIR INDIA FOR THE PERIOD FROM 2000-01 TO 2005-06

Year/Company	CR		QR		ITR		DTR		ROCE	
	Indian Airlines	Air India	Indian Airlines	Air India	Indian Airlines	Air India	Indian Airlines	Air India	Indian Airlines	Air India
2000-01	0.56	0.53	0.35	0.64	6.99	7.4	5.89	6.92	0	5.22
2001-02	0.52	0.5	0.374	0.634	6.8	6.82	5.64	6.47	0	5.41
2002-03	0.49	0.48	0.371	0.585	7.73	10.26	5.79	6.47	0	6.51
2003-04	0.47	0.49	0.343	0.548	8.72	17.38	6.4	6.55	11.5	2.74
2004-05	0.49	0.63	0.386	0.546	9.9	14.53	6.82	7.69	8.8	5.97
2005-06	0.59	0.9	0.546	1.01	10.4	12.97	6.19	7.08	7.34	3.03
r	-0.26	-0.45	0.22	-0.49	0.78	-0.55	0.85	0.09	-	-
t Test	1.002	0.999	0.45	1.13	2.55	1.33	3.27	0.18	-	-

Note: (i) the tabulated values of \t\ with (n-2) d. f. i.e., 4 d. f both at 5% and 1% levels of significance for both tailed tests are 2.776 and 4.604 respectively .(ii) Since the calculated values of \t\ for the DTR is greater than the table value of \t\ for the company Indian Airlines at 5% level. So, the correlation coefficient between ROCE and DTR for Indian Airlines is statistically significant at 5% level. Except this, in all other cases, the calculated values of \t\ are less than the tabulated values of't' with 4 d .f. So, the correlation coefficients are statistically insignificant both at 5% and 1% levels of significance.

(iii) Formula used for calculating $|t| = \frac{r \times \sqrt{(n-2)}}{\sqrt{(1-r2)}}$ With (n-2) d f.

Source: Complied and computed from Published annual reports of the selected companies under study.

DIAGRAMMATIC REPRESENTATION OF LIQUIDITY FOR THE SELECTED COMPANIES INDIAN AIRLINES AND AIR INDIA FOR THE PERIOD FROM 2000-01 TO 2005-06

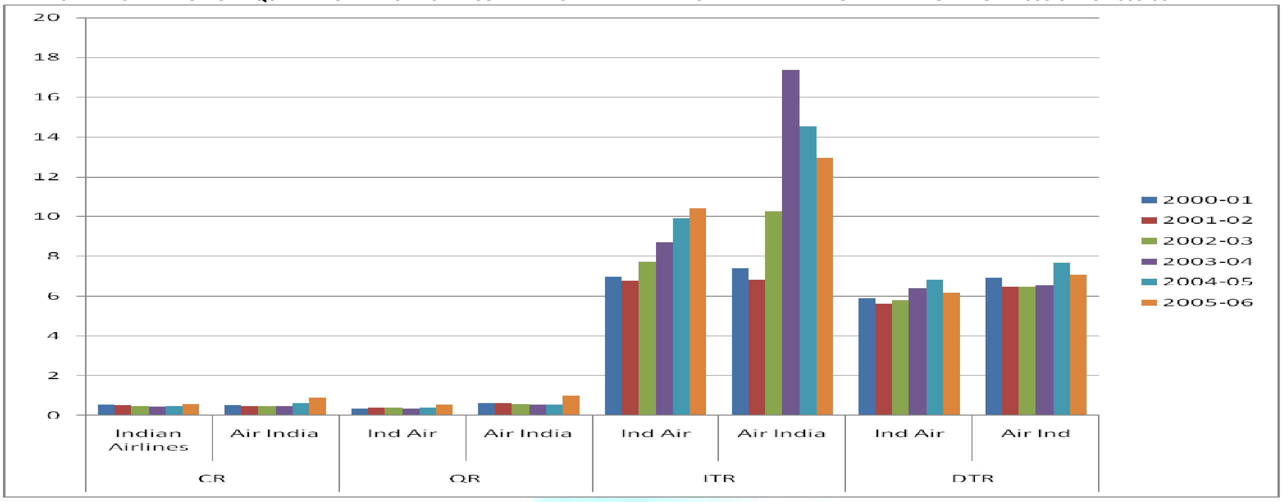


TABLE-2: ANALYSIS OF PROFITABILITY OF INDIAN AIRLINES AND AIR INDIA FOR THE PERIOD FROM 2000-01 TO 2005-06

Year\Company	G.P Ratio		N.P. Ratio		OP. Pro. Ratio		ROCE	
	Indian Airlines	Air India	Indian Airlines	Air India	Indian Airlines	Air India	Indian Airlines	Air India
2000-01	3.552	7.43	-5.34	-1.09	7.54	12.456	0	5.22
2001-02	1.45	9.695	-1.948	0.544	4.78	13.013	0	5.41
2002-03	2.96	10.83	-4.89	2.383	5.56	12.25	0	6.51
2003-04	7.62	7.644	0.869	1.591	9.16	8.31	11.5	2.74
2004-05	6.966	6.273	1.186	1.482	7.66	6.699	8.8	5.97
2005-06	6.466	4.74	0.8297	0.031	6.93	5.687	7.34	3.03

Source: Complied and computed from Published annual reports of the selected companies under study.

DIAGRAMMATIC REPRESENTATION OF TABLE-2

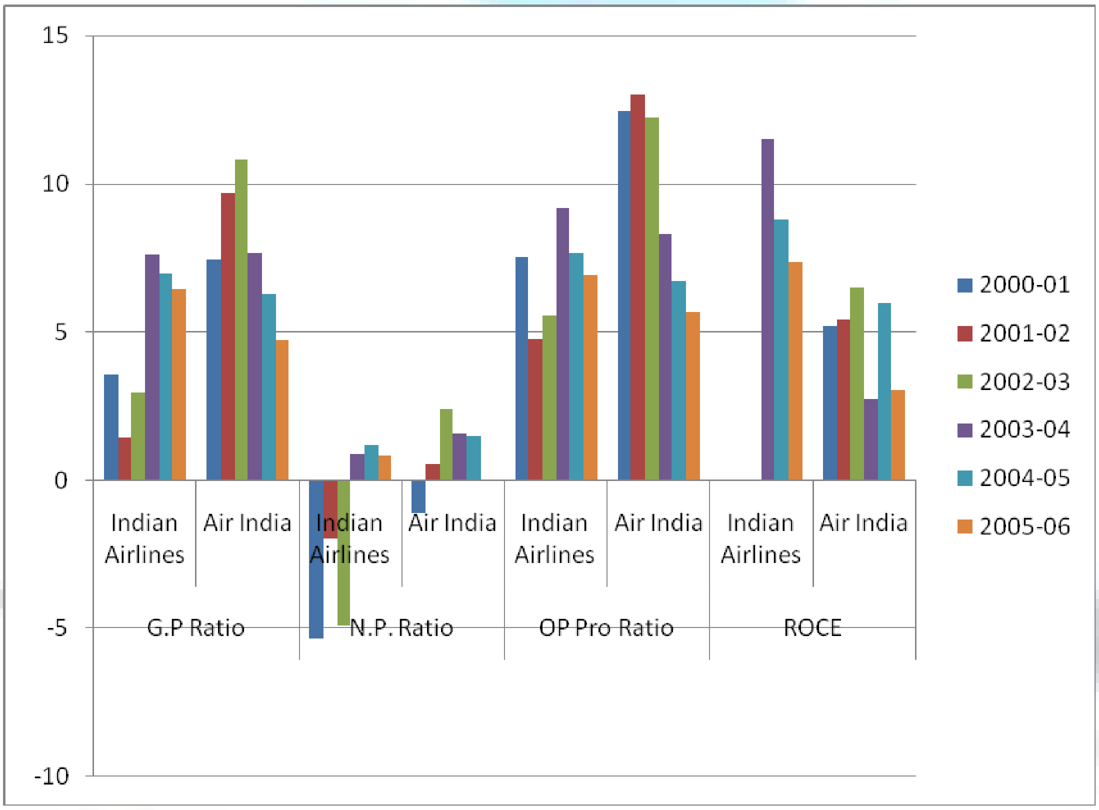


TABLE-3: ANALYSIS OF LIQUIDITY AND PROFITABILITY OF KINGFISHER AIRLINES AND JET AIRWAYS FOR THE PERIOD FROM 2000-01 TO 2005-06

Year\Company	CR		QR		ITR		DTR		ROCE	
	Kingfisher	Jet Airways	Kingfisher	Jet Airways	Kingfisher	Jet Airways	Kingfisher	Jet Airways	Kingfisher	Jet Airways
2000-01	1.94	1.39	0	1.38	14.02	13.54	5.18	16.87	26.58	7.08
2001-02	1.9	1.32	0	1.104	12.03	9.44	6.51	15.02	28.92	5.56
2002-03	1.56	1.57	0	1.316	7.77	8.94	7.87	13.71	16.57	0.28
2003-04	1.69	1.45	0	0.964	7.95	10.02	17.53	15.07	0	11.69
2004-05	1.59	1.39	1.2607	1.541	12.64	12.76	48.23	17.82	0	20.07
2005-06	1.27	1.64	1.141	2.612	21.12	15.36	93.58	16.53	0	10.9
r	**0.75**	**-0.19**	**-0.67**	**0.220**	**-0.17**	**0.49**	**-0.69**	**0.80**	-	-
t Test	**2.27**	**0.399**	**1.81**	**0.45**	**0.35**	**1.13**	**1.92**	**2.75**	-	-

Note: (i) the tabulated values of \t\ with (n-2) d. f. i.e., 4 d. f both at 5% and 1% levels of significance for both tailed tests are 2.776 and 4.604 respectively.
(ii) Since the calculated values of \t\ in all cases are less than the tabulated values of't' with 4 d. f. So, the correlation coefficients are statistically insignificant both at 5% and 1% levels of significance.

(iii) Formula used for calculating $|t| = \frac{r \times \sqrt{(n-2)}}{\sqrt{(1-r2)}}$ With (n-2) d f.

Source: Complied and computed from Published annual reports of the selected companies under study

DIAGRAMMATIC REPRESENTATION OF LIQUIDITY FOR THE SELECTED COMPANIES KINGFISHER AIRLINES AND JET AIRWAYS FOR THE PERIOD FROM 2000-01 TO 2005-06

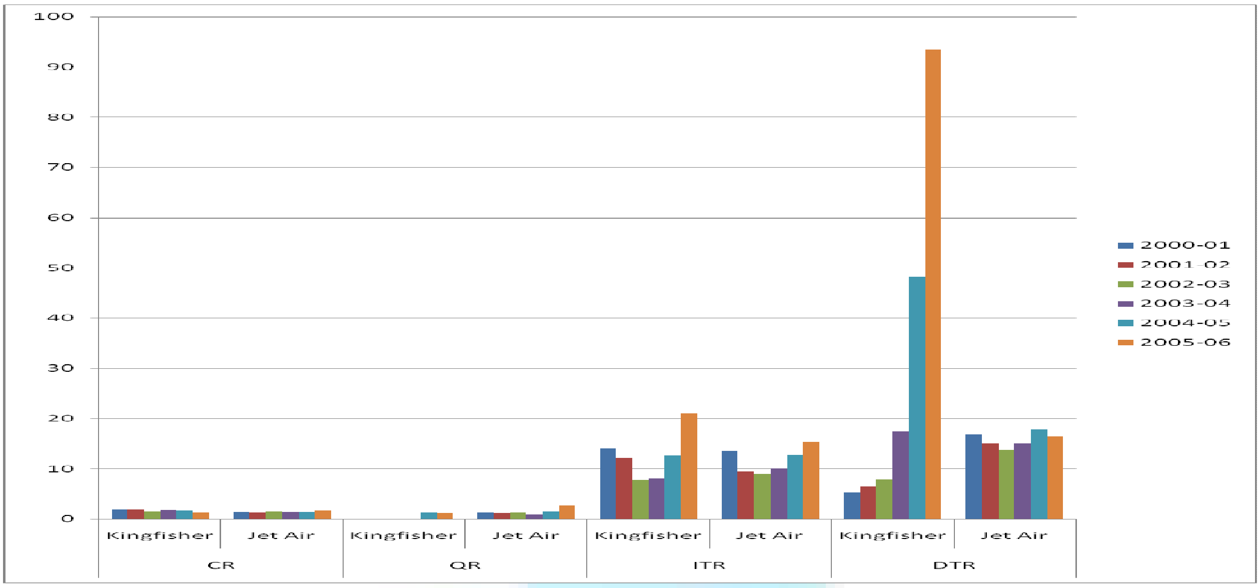
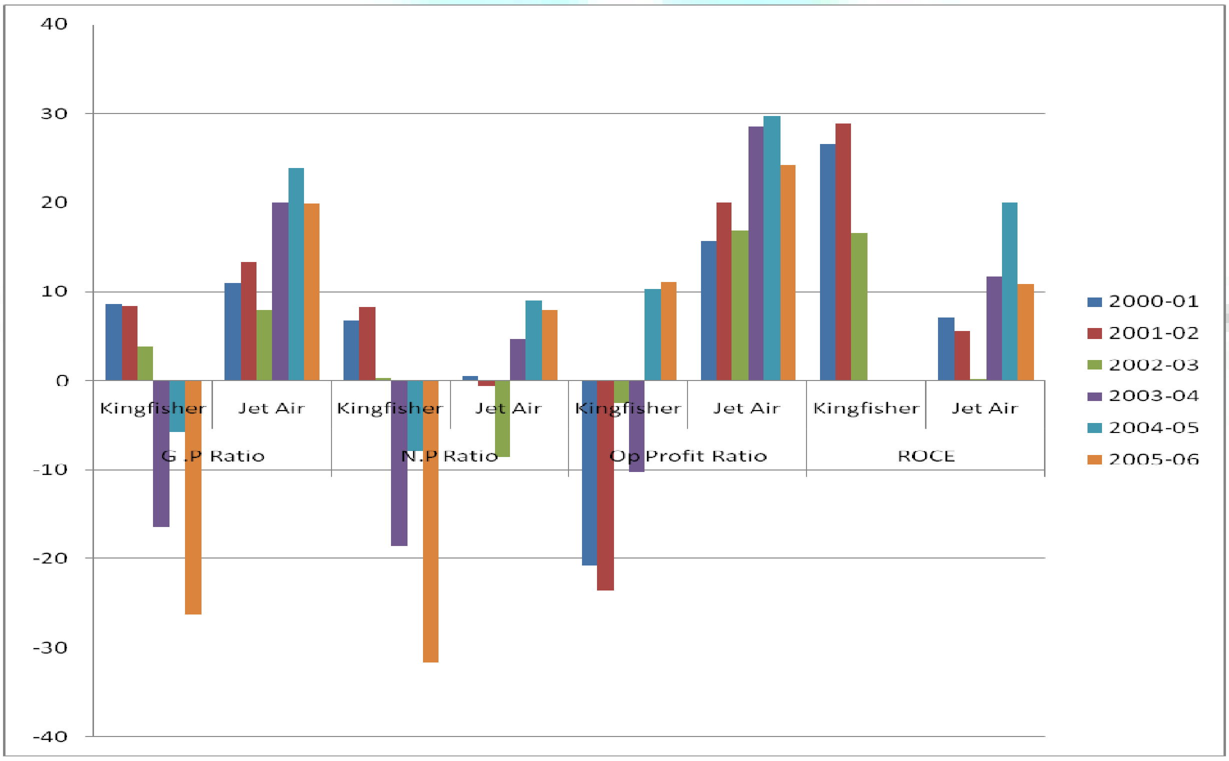


TABLE-4: ANALYSIS OF PROFITABILITY OF KINGFISHER AND JET AIRWAYS FOR THE PERIOD FROM 2000-01 TO 2005-06

Year\Company	G.P Ratio		N.P. Ratio		OP. Pro. Ratio		ROCE	
	Kingfisher	Jet Air	Kingfisher	Jet Air	Kingfisher	Jet Air	Kingfisher	Jet Air
2000-01	8.56	10.95	6.726	0.499	-20.72	15.784	26.58	7.08
2001-02	8.389	13.28	8.286	-0.54	-23.557	20.042	28.92	5.56
2002-03	3.845	7.92	0.299	-8.5	-2.48	16.882	16.57	0.28
2003-04	-16.397	20.11	-18.605	4.73	-10.248	28.497	0	11.69
2004-05	-5.82	23.95	-7.89	9.04	10.337	29.8	0	20.07
2005-06	-26.16	19.91	-31.62	7.98	11.049	24.18	0	10.9

Source: Complied and computed from Published annual reports of the selected companies under study.

DIAGRAMMATIC REPRESENTATION OF TABLE-4



MAJOR FINDINGS IN RESPECT OF AIR INDIA & INDIAN AIRLINES

1. Table-1 clearly depicts that the quick ratios for Air India during the various years under study are higher as compared to those of Indian Airlines. It implies that the immediate debt paying capacity is better for Air India as compared to Indian Airlines during the period under study.
2. The inventory turnover ratios for Air India, on an average, are also higher as compared to Indian Airlines which indicate that Air India has a better inventory management system as compared to Indian Airlines during the period under study.
3. The Debtors turnover ratios for Air India are also higher as compared to those of Indian Airlines during the entire study period. That means Air India has the better receivables management as compared to Indian Airlines during the entire period of study.
4. Table-1 shows that the correlation coefficients between ROCE and Current Ratio (CR) are (-) 0.26 and (-) 0.44 for Indian Airlines and Air India respectively. There have been a moderately negative association between the profitability ratio and the current ratio of both the companies under study and the correlation coefficients of both the companies are found to be statistically insignificant both at 5% and 1% levels of significance. So, we can conclude that there is insignificant association between ROCE and CR of both the companies under study.
5. The correlation coefficients between ROCE and Quick ratio (QR) of both the companies under study are 0.218 and (-) 0.4907 respectively which are found to be statistically insignificant both at 5% and 1% levels. That means there is a positive relationship between ROCE and QR for the company Indian Airlines during the study period. The generally accepted principle is that lower the investment in quick assets the higher is the profitability of the company. The computed value of quick ratio conforms to the generally accepted principle for the company Air India but does not conform in case of the company Indian Airlines during the study period. On the other hand, there is a moderately negative association between ROCE and QR for the company Air India during the study period but this association is not statistically significant both at 5% and 1% levels of significance.
6. Table-1 highlights that the correlation coefficients between ROCE and ITR are 0.786 and (-) 0.56 respectively for the both the companies under study. That mean there is a highly positive association between ROCE and ITR for the company Indian Airlines and this association is found to be statistically insignificant both at 5% and 1% levels during the study period. But there is a moderately negative association between these two variables for the company Air India and this relationship is also found to be insignificant both at 5% and 1% levels during the study period. The most accepted principle is that, the higher the ITR, the greater is the efficiency of inventory management and the larger is the scope of profitability. The computed value of correlation coefficient between ROCE and ITR for Indian Airlines conforms to this accepted principle. But for Air India this relationship does not conform to this accepted principle.
7. Table-1 highlights that the correlation coefficients between ROCE and DTR are 0.85 and 0.09 respectively for both the companies under study. That means these relationships are positive for both the companies under study. It is found to be statistically significant for the company Indian Airlines at 5% level but is found to be statistically insignificant at 1% level of significance. Also, these relationships are found to be statistically insignificant both at 5% and 1% levels for the company Air India. The study of the relationship between profitability (ROCE) and receivable management (DTR) conforms to the generally accepted rule that, the more the DTR, the lower is the relative investment in receivable and the higher is the profitability. But the relationship between profitability and receivable management is far better for the company Indian Airlines as compared to Air India during the period under study. The receivable management of the company Indian Airlines has a positive influence on the profitability of the company at 5% level of significance.

MAJOR FINDINGS IN RESPECT OF KINGFISHER & JET AIRWAYS

1) Table-3 clearly depicts that the quick ratios, on an average, are higher for the company Jet Airways as compared to those of kingfisher Airlines during the period under study. That means the immediate debt paying capacity is far better for Jet Airways as compared to other during the period under study.
2) Table-3 shows that the correlation coefficients between ROCE and CR are 0.75 and -0.19 for kingfisher and Jet Airways respectively. There is a highly positive association between these two variables for Kingfisher. But there is a low negative association between profitability and liquidity (expressed in terms of Current ratio) for Jet Airways. But these relationships are found to be statistically insignificant both at 5% and 1% levels for both the companies under study. That means there is insignificant association between ROCE and CR for both the companies during the period under study.
3) The correlation coefficients between ROCE and QR of both the companies are -0.67 and 0.22 respectively, which is found to be statistically insignificant both at 5 % and 1% levels of significance. It reveals that there is moderately negative association between ROCE and QR for Kingfisher during the period under study, but this relationship is not statistically significant both at 5% and 1% levels of significance and which conforms to the accepted principle. There is a low positive association between ROCE and QR for the company Jet Airways during the period under study, but this relationship is not statistically significant both at 5% and 1% levels of significance. Also this relationship does not conform to the accepted principle.
4) It is observed from table-3, that the correlation coefficients between ROCE and ITR are (-) 0.17 and 0.49 respectively for both the companies under study. It implies that there is a low negative association between ROCE and ITR for Kingfisher but this relationship is not statistically significant both at 5% and 1% levels during the study period. The most accepted principle is that, the higher the ITR, the greater is the efficiency of inventory management and the larger is the scope of profitability. So, the computed value of correlation coefficient between ROCE and ITR for kingfisher does not conform to this accepted principle. But for Jet Airways there is a moderately positive association between ROCE and ITR but this relationship is not statistically significant both at 5% and 1% levels during the study period. The computed value of correlation coefficient between ROCE and ITR conforms to this accepted principle.
5) Table-3 highlights that the correlation coefficients between ROCE and DTR are -0.697 and 0.807 respectively for both the companies under study. It implies that there is a moderately high negative association between ROCE and DTR for Kingfisher during the study period but this relationship is not statistically significant both at 5% and 1% levels. The study of association between the profitability (measured in terms of ROCE) and Debtors management (measured in terms of DTR) for Kingfisher does not conform to the generally accepted principle that, the greater the DTR, the lower is the relative investment in receivables and the higher is the profitability. There is a positive association between ROCE and DTR for Jet Airways during the study period but this relationship is not found to be statistically significant both at 5% and 1% levels. The study of the association between profitability (ROCE) and Debtors Management (DTR) for Jet Airways conforms to this generally accepted principle.

CONCLUDING REMARKS AND RECOMMENDATIONS

1) The correlation coefficients between ROCE and CR for all the selected companies are negative except Kingfisher Airlines. The general view is that there is a negative association between liquidity and profitability. That means the higher the current ratio, the better is the short term debt paying capacity, the lower is the overall profitability and vice-versa. But this general view is not fulfilled for the company Kingfisher Airlines during the period under study. So, it should have to be maintaining a lower current ratio in future which may lead to improve its overall profitability in the years to come.
2) The generally accepted principle is that the higher is the quick ratio, the higher the relative investment in quick assets, the lower is the profitability of the company. The association between QR and ROCE does not conform to the accepted principle for both the companies Indian Airlines and Jet Airways. So, both the companies should be cautious in maintaining a lower amount of investment in quick assets that will ultimately lead to enhance the overall profitability in future.
3) The general view is that the higher is the value of ITR, the better is the inventory management and the higher is the profitability of the company and vice-versa. The association between profitability and ITR does not conform to the accepted principle for both the companies Kingfisher and Air India. So, both the companies should try to develop a very good inventory management system to improve their overall profitability position so as to compete with the others in the industry.
4) The company Indian Airlines has a good debtor's management system and it has a significant contribution on the overall profitability during the period under study. But the company Air India has a very low degree of positive association between ROCE and DTR. So, the company Air India should have to be

maintaining a very good receivable management system to maintain a healthy profitability position in future. The relationship between efficiency of debtors' management system and overall profitability position is found to be negative for Kingfisher Airlines. That means the receivable management has a negative influence on the overall profitability of it, which is not a very good sign about the receivable management system of it. So, to enhance the overall profitability position the management should have to be cautious in maintaining a sound receivable management system in order to compete with the others in the industry in the present competitive environment. On the other hand, receivable management of the company Jet Airways has a significant influence on the overall profitability during the period under study.

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UNDERSTANDING POSITION OF COMMERCIAL GINGER CULTIVATION IN LOWER DIBANG VALLEY DISTRICT OF ARUNACHAL PRADESH

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ABSTRACT

Juvenile Lower Dibang Valley district is swollen with pride for being occupying first slot in terms of both, area under commercial ginger cultivation and its production throughout the Arunachal Pradesh. Commercial ginger cultivation in Lower Dibang Valley deserves special mention for being one of the most known emerging cash crops with high business and marketing potentiality in the entire region. Interestingly, in Lower Dibang Valley district of Arunachal Pradesh, significant percentages of about 60 percent of every household undertake ginger cultivation for which on an average 20 percent of dry cultivable land are used. On an average, every household produced 238 quintal of ginger in a year during the study period. Commercial ginger cultivation has been one of the most prominent sources of employment having positive and remarkable impact on economic wellbeing of ginger growers in particular and socio-economic development of the district in general. In this paper an attempts has been made to analyze average household' area under commercial ginger cultivation and average household' production of ginger in the Lower Dibang Valley district of Arunachal Pradesh. Moreover, it also endeavor to study the co-relationship between area under ginger production and its production and offer suggestions to bring about improvement in production and marketing of ginger in the study area.

KEYWORDS

Arunachal Pradesh; Commercial ginger cultivation; Lower Dibang Valley.

BACKDROPS

Around the globe, India, China, Nigeria, Indonesia, Bangladesh, Thailand, Philippines and Jamaica are well known to have undertaken commercial ginger cultivation and export this popular herb mostly to United Kingdom, United States and Saudi Arabia etc. India has been taking pride in the realm of ginger cultivation as she alone supplies about 50 percent of the global demand of ginger. In Indian context, ginger is cultivated in almost all states. Kerala is the major ginger growing state. Other major ginger growing states are Orissa, Meghalaya, Himachal Pradesh, Karnataka, Assam, and Arunachal Pradesh respectively. Ginger is a treasured preservative, spice and flavoring agent. It is used extensively in pickles, sauces, cakes, cookies, jams and marmalades, brine, candies, ginger ale, ginger beer, curries, tea and many other food items. Ginger has also medicinal properties and appreciated from ancient times. Ginger, one of the most known budding cash crops with high business and marketing potentiality has been under cultivation since time immemorial in the Lower Dibang Valley district of Arunachal Pradesh. Traditionally, in Lower Dibang Valley district of Arunachal Pradesh, ginger cultivation is restricted to kitchen garden only. Besides, ginger being a local spice, indigenous people of this juvenile district uses it in different junctures of their life like- birthday celebration, marriage ceremony, performing last rites, innuagration of houses, festival, religious offering to spirits etc,. The local people of the study area perceive it more like socio-cultural object than as a spice or medicine, which is deeply embedded in social fabric of the native people of this young district. Interestingly, early 1990's marks beginning of commercial ginger cultivation in Lower Dibang Valley. Significant percentages of about 60 percent of every household undertake commercial ginger cultivation for which about 20 percent of dry cultivable land is being used. In fact, commercial ginger cultivation has been constantly eroding socio-economic face of the Lower Dibang Valley district and gave a changed economic shape through providing additional employment opportunities, increasing income, saving, investment and taken up social status of the study area to a new height.

OBJECTIVES

The main objectives of the present study are:

1. To analyze average household area under commercial ginger cultivation and its corresponding production in Lower Dibang Valley.
2. To find out relationship between area under commercial ginger cultivation and its production in the study area.
3. To offer constructive suggestions to bolster production and marketing of ginger in the study area.

UNIVERSE OF STUDY

The observation made in this paper is basically based on the field survey conducted on 100 sample ginger cultivators of Lower Dibang Valley district of Arunachal Pradesh during the period from 2000-01 to 2009-10. The present study has been conducted in 10 villages of Lower Dibang Valley district of Arunachal Pradesh, where ginger cultivation are undertaken on large scale namely-Roing, Meka, Koronu, Jia, Bolung, Parbuk, Iduli, Kangkong, Balek, and Itili. The villages have been selected deliberately because; most of the commercial ginger cultivation is undertaken in these 10 villages in the entire district.

METHODOLOGY

During the present study, an effort has been made to make the present study empirical, based on survey and statistical methods. The work is based on both primary and secondary data. For the collection of primary data, 10 ginger cultivators each from 10 villages have been interviewed personally with the help of well-designed questionnaires. Altogether, 100 sample ginger cultivators have been drawn at random basis. While selecting the ginger cultivators, utmost care has been taken to select ginger cultivators from different categories of people to represent the maximum character of the universe like, males and females and owners and laborers to ascertain trend in development of commercial ginger cultivation in the study area. As for secondary data, various published books, research papers, journals, committee reports and other unpublished works on ginger cultivation have been referred to for better understanding of the research problem. However, internet has been one of the most used sources of secondary data for the present study.

ANALYSIS AND INTERPRETATION OF FIELD DATA

Momentum of large-scale commercial ginger cultivation picked up in early 1990's in Lower Dibang Valley district of Arunachal Pradesh. During the field study, it is found that about 60 percent of every sample ginger growers undertakes commercial ginger cultivation for which about 20 percent of their dry cultivable land is used for in the Lower Dibang Valley District of Arunachal Pradesh. Observations made throughout the study period in study area have been analyzed and interpreted under three major heads that are as follows:

1. AVERAGE HOUSEHOLD'S AREA UNDER GINGER CULTIVATION

As per the information provided in the table 1 and graphs 1, area under commercial ginger cultivation in Lower Dibang Valley is found to have increased constantly with exception to the block years 2008-09 and 2009-10, which has witness negative growth of (-) 6.25 and (-) 6.6 respectively. It is observed that, area under ginger cultivation has shown 100% growth rate during the year 2002-03. However, zero percent growth of area under ginger cultivation has been evident during 2003-04 and 2005-06 respectively.

TABLE 1: AVERAGE PER HOUSEHOLD'S AREA UNDER GINGER CULTIVATION AND ITS PRODUCTION IN THE LOWER DIBANG VALLEY DISTRICT OF ARUNACHAL PRADESH

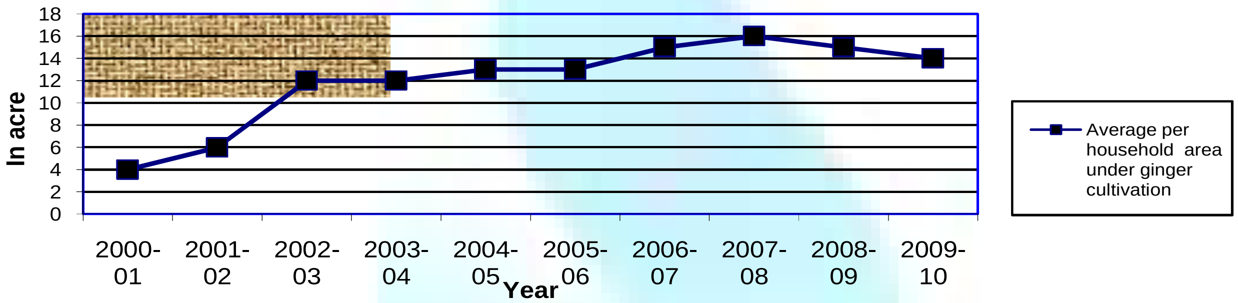
Year	X (in acre)	% age Changes	Y (in quintal)	% age Changes
2000-01	4	-	112	-
2001-02	6	(+) 50	156	(+) 39.28
2002-03	12	(+) 100	260	(+) 66.6
2003-04	12	0	266	(+) 2.3
2004-05	13	(+) 8.3	269	(+) 1.1
2005-06	13	0	274	(+) 1.8
2006-07	15	(+) 15.3	279	(+) 1.8
2007-08	16	(+) 6.6	255	(-) 9.4
2008-09	15	(-) 6.25	251	(-) 1.6
2009-10	14	(-) 6.6	256	(+) 2
Total	**120**		**2378**	
Average	**12**		**237.8**	

Source: *Compiled from field data.*

Note:

1. **X=** *Average per household area under ginger cultivation.*
2. **Y=** *Average per household ginger production.*

GRAPH 1: AVERAGE HOUSEHOLD'S AREA UNDER GINGER CULTIVATION



During 2007-08, average per household area under ginger cultivation is found to have achieved peak with 16 acres. On the contrary, lowest of the same is observed during 2000-01 throughout the study period. In addition, mean and median of average per household area under ginger cultivation during 10 years study period are 12 and 13 acres respectively.

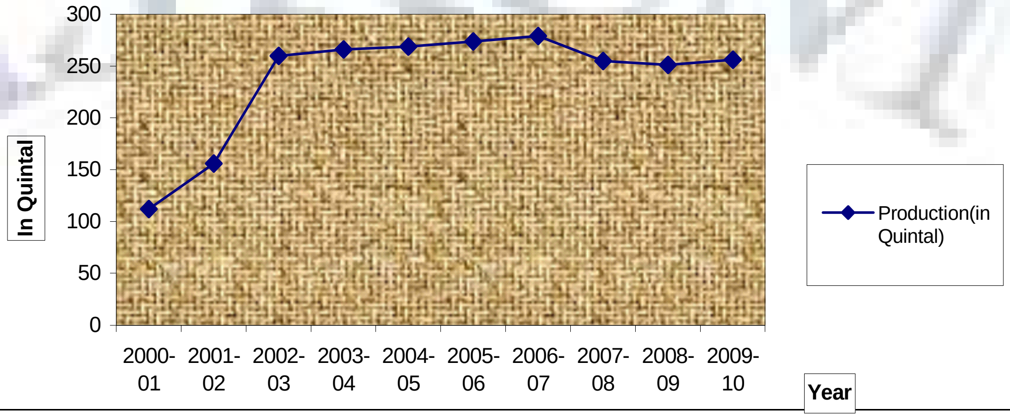
It is evident from graph 1 that, there is a sharp increase in the average per household area under ginger field in the first quarter followed by steady rises during second and third quarter all through the study period. However, the last quarter of the study period revealed declining trend in terms of average per household area under ginger cultivation. Altogether, the total shape of average per household area under commercial ginger cultivation is found healthy in the study area that implies farmers are highly motivated, competitive, enterprising and benefited pertaining to commercial ginger cultivation. It is fascinating to note that, average per household area under commercial ginger cultivation start falling from 2008-09 which may be attributed to repeated spoilage of ginger fields due to hostility of monsoon; shift of ginger grower to tea & orange plantation; lack of government initiatives in promoting marketing and its cultivation; non-existence of corporate investment and; non-availability of easy and cheap finance in the study area etc. It is evident from table 1 that, total area under ginger cultivation during the reference period is 120 acres. Value of standard deviation of average per household area under ginger cultivation of the present study is 3.94, which signify that, area under commercial ginger cultivation in the study area is reasonably uniform, homogenous or consistent.

Moreover, it also foretells lesser chances of falls in terms of area under ginger cultivation in the near future in the study area.

2. AVERAGE HOUSEHOLD'S PRODUCTION OF GINGER

As evident from table 1 and graph 2 that, there has been continuous increase in average per household's production of ginger during the period of study with exception to the block year, 2007-08 and 2008-09 which have shown negative growth of (-) 9.4 and (-) 1.6 respectively. It is observed that, ginger production has increased at increasing rate in the first quarterly phase then, started increasing at decreasing rate in second quarterly phase and remained almost constant in the middle of study period. It is noteworthy to mention that, ginger production decreases at decreasing rate in the last quarterly phase.

GRAPH 2: AVERAGE PER HOUSEHOLD'S PRODUCTION OF GINGER



However, last block year of the study period has shown a bit improvement in production of ginger. Average per household's ginger production has been observed the highest during 2006-07 with 279 quintal. On the contrary, lowest ginger production throughout the study period is observed during 2000-01. Altogether, total average sample ginger growers are found to have produced 2378 quintals of ginger during ten years time span. In addition, mean and mode of ginger production pertaining to present study are 237.8 and 258 quintals. Fascinatingly, more than 16 sample ginger cultivators are found to have produced favorably up to 1100 quintals of ginger that fetched them more or less an amount of Rs. 12 Lakhs in some years. During the field study, average per household ginger cultivators are reported to have dispose-off 77 percent of their produces to the traders and rest 23 percent are kept as seed for continuation of ginger field. Moreover, as far as domestic consumption of ginger is concerned, farmers mostly cultivate small plot of land nearby their kitchen to meet their day-to-day requirement of ginger. It is interesting to note that, a proportional change in average per household's ginger production in some years is not in tune with the proportional changes in area under ginger cultivation. Value of standard deviation of average per household's ginger production under present study is 56.4, which signify that, ginger production in the study area is significantly inconsistent, fluctuating and unpredictable.

Moreover, it can be predicted that production of ginger in the study area may either increase or decrease markedly in the near future. The significant deviation in ginger production can be mainly akin to two reasons; firstly, due to unfavorable climatic condition in some years (excessive rainfall, sunshine, moisture etc) and secondly, due to massive spoilage of ginger rhizomes by pest, worms and insects etc.

3. RELATIONSHIP BETWEEN AVERAGE PER HOUSEHOLD'S AREA UNDER GINGER CULTIVATION AND ITS PRODUCTION

According to table 1, coefficient of correlation of X variable and Y variable is 0.916 with P-Value = 0.000. Value of coefficient of correlation is positive and very close to +1 which gives crystal clear reflection that area under ginger production has significant positive relationship with ginger production. Moreover, the calculated value or P- Value is Zero giving testimony of strong dependency of Y with X variable. Thus, there lies significant positive relationship between average per household's area under ginger field and average per household's ginger production throughout the study period in Lower Dibang Valley district of Arunachal Pradesh.

SUGGESTIONS

In the context of globalization and stiff market antagonism, commercial ginger cultivation and its marketing have miles ahead to travel in the Lower Dibang Valley district of Arunachal Pradesh. Following are some of the important aspects that demands immediate attentions to bolster commercial ginger cultivation and its marketing in the study area that are summarize as follow:-

A. Given the present position in production of ginger, Govt. as well as corporate sector should setup ginger processing plants in and around the study area.
B. To nosh financial hunger of ginger cultivators, commercial banks, development banks and other financial institutions should come forward with special and attractive financial packages exclusively meant for its growers.
C. Improved agricultural implements and tool-kits at subsidized rates should be supplied to the farmers. In addition, marketing supports be given by the government enabling them to excel at par with the ginger cultivators across the world.
D. Intensive trainings, workshops, demonstrations should be undertaken to provide necessary skills and knowledge to farmers enabling them to undertake cultivation of ginger on scientific line.
E. There should have free mobility of skilled labor and technical know-how into the study area.
F. There should have a vibrant transportation and communication networks in the study area in order to increase marketability of ginger.
G. There should have cold storage to preserve ginger and insurance companies should come forward at growers' doorsteps with various policies in order to shoulder up risks and uncertainties arising out of its cultivation.
H. There should have Farmers' union that would help them to have better bargaining power and in making direct joint marketing of their product at more promising terms.
I. Keeping these problems in mind, the agricultural policy of state should attempts to incorporate majestic plans and programs to develop commercial ginger cultivation in the Lower Dibang Valley district in particular and the Arunachal Pradesh in general

CONCLUSION

Commercial ginger cultivation has been one of the most promising sources of employment and proven engine for socio-economic development of the Lower Dibang Valley. In fact, cultivation of ginger and its marketing has changed the economic face and structure leaving behind positive impacts on income, per capita income, saving, investment and creation of social assets in the study area. However, ginger cultivation in study area has yet to come to full shape in terms of its production and distribution. Despite occupying first slot in area under ginger cultivation and its production in the entire state, the study area has still long way to travel and develop in terms of promotional activities, research & development activities, warehousing, processing unit, weighing, packaging, and insurance activities etc, in connection with ginger. It is said that opportunities takes birth admist problems. Thus, Govt., NGOs, private investors and corporate entities should give eyes and perceive these problems as investment opportunities, which would for sure, help Dibang Valley be seen around in global map of commercial ginger production and its marketing.

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FINANCIAL INCLUSION THROUGH MOBILE WAY: A CASE STUDY OF M – PESA

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ABSTRACT

In the world approximately two billion people are financially excluded, it means they do not have any type of access of financial services like banking. No economic growth and development of any country in the world possible without involving such financial excluded people in the financial system. Thus, financial inclusion is a potentially viable business proposition which provides the poor with opportunities to build savings make investments and get credit. To overcome the problem of financial exclusion, experts have suggested different ways. Technology solutions such as the mobile telephony are one of it. Today many countries of the world are focusing on financial inclusion programs, at this moment it would be interesting to study the successful example of using mobile telephony in Africa. The M-Pesa mobile banking model in Kenya – started just before four years, has gained over thirteen million customers in a very short period and expanded the basic banking services in such remote areas where banking organization were not able to reach. This case study focuses on the solution of microfinance availability through mobile telephony as the route to reach out to a larger customer base.

KEYWORDS
Financial Exclusion, Financial Inclusion, Mobile Banking, M – Pesa, Mobile Telephony.

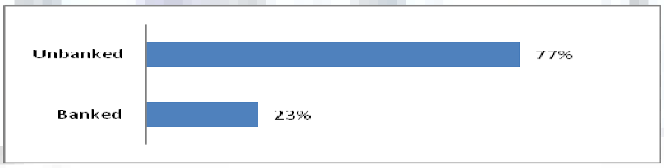
INTRODUCTION

Nowadays, financial inclusion is the buzzword amongst the rapidly growing economies and it is being considered as most important factor of rapid economic growth of any nation. Financial inclusion is a necessary condition for generating and sustaining equitable growth. There are few, if any, instances of an economy transiting from an agrarian system to a post-industrial modern society without broad-based financial inclusion. We all know from personal experience that economic opportunity is strongly intertwined with financial access. Such access is especially powerful for the poor as it provides them opportunities to build savings, make investments and avail credit. Importantly, access to financial services also helps the poor insure themselves against income shocks and equips them to meet emergencies such as illness, death in the family or loss of employment. What is predictable, though, is that as newer technologies are ushered in; banking services will become more affordable and accessible to all. Harnessing this power of technology for financial inclusion is going to be a big opportunity and a bigger challenge for us. In his recent book Building Social Business, Muhammad Yunus notes that, in the 1960s, no one predicted that the Internet would take the world by storm; that laptops, palm-tops, Blackberrys, i-pods, i-phones, tablets and Kindles would be in the hands of millions. Similarly, in 2010, perhaps we are just as unable to look ahead to 2030. In short, how technology is going to shape our world and our world views is quite unpredictable. At the same time mobile telephony based model of facilitating the basic banking services and using technology as an enabler has been a major kick start to achieve the global agenda of financial inclusion. The world is witness of revolutionary changes in financial inclusion through mobile telephony in Kenya.

ABOUT KENYA

Kenya, considered an economic hub of East Africa, lies astride the equator. Tanzania lies to the south and Uganda to the west; to the southeast lies over 3300 miles of Indian Ocean coastline. In 2007, Kenya's population was estimated at 36,913,721 and its growth rate at 2.8%. More than a third of the population lives in urban areas; Nairobi, the capital, is the largest city, with approximately 3,000,000 people. Like people in many emerging markets, most Kenyans are not used to making electronic payments. At the national level, most transactions are in cash. A survey conducted by Research ICT Africa established that over 80% of Africa's small to medium-sized enterprises (SMEs) conduct their transactions using cash. From the following Figure 1 we can say that only 23% population of Kenya was having bank access in 2007. So for the development of the formal financial system, it was keen need of such system which can reach out to a larger public with convenience.

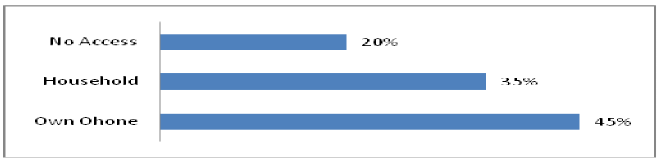
FIGURE 1: BANKED AND UNBANKED POPULATION IN KENYA



Source: Central bank of Kenya

At the same time, the telephone market in Kenya was developing rapidly. Figure 2 reveals that from the total population of the country, 35% having household mobile connectivity, almost 45% population having their own mobile phone and the rest unconnected population 20% was obliviously less than the population not having bank access (77%). So the focus transferred to mobile telephone, the most convinced way to reach out the 80% population of the country.

FIGURE 2: MOBILE MARKET OF KENYA



Source: Communication Commission of Kenya

M – PESA

Safaricom launched M-PESA in 2007. “Pesa” is the Swahili word for cash; the “M” is for mobile. M-Pesa is the product name of a mobile-phone based money transfer service. This innovation was not Safaricom’s idea. That was developed by Sagentia - now transferring to IBM in September 2009 - for Vodafone. Vodafone, Safaricom’s parent company in the UK. The development was initially sponsored by the UK-based Department for International Development (DFID) in 2003–2007.DFDI helps to develop a mobile phone-based system to improve access to financial services for people in East Africa.
The pilot implementation began on October 11, 2005; other partners were Faulu Kenya, a leading microfinance institution in Kenya, and the Commercial Bank of Africa, which provided the traditional banking infrastructure. The technology platform for the service is provided by Microsoft and was highlighted as a key philanthropic initiative from Vodafone by Melinda Gates of the Bill & Melinda Gates Foundation at DAVOS in 2009. Late in 2007, Celtel launched Sokotele, a competitor to M-PESA. Celtel’s partners in the development are Packet Stream, a public data network operator, and KRep, one of Kenya’s leading micro-finance institutions. K-Rep provides the banking expertise, Packet Stream supplies the vending software, and Celtel Kenya’s cellular network makes the connectivity possible. Jamii Bora, K-Rep and Faulu Kenya, have also introduced services based on SMS (short message service) that let their clients view their balances, request account statements, and transfer money.
The concept of M-PESA is based on branchless banking service, meaning that it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. The initial concept of M-PESA was to create a service which allowed microfinance borrowers to conveniently receive and repay loans using the network of Safaricom airtime resellers. This would enable microfinance institutions (MFIs) to offer more competitive loan rates to their users, as there is a reduced cost of dealing in cash. The users of the service would gain through being able to track their finances more easily. But when the service was trialed, customers adopted the service for a variety of alternative uses; complications arose with Faulu. M-PESA was re-focused and launched with a different value proposition: sending remittances home across the country and making payments. The continuing success of M-PESA, in Kenya, has been due to the creation of a highly popular, affordable payment service with only limited involvement of a bank.

HOW IT WORKS….?

M-PESA Customers can deposit and withdraw money from a network of agents that includes airtime resellers and retail outlets acting as banking agents. M-PESA is operated by Safaricom a Mobile Network Operators (MNO) which is not classed as deposit-taking institutions (such as banks), so M-PESA may not be advertised as a banking service.
The service enables its users to:

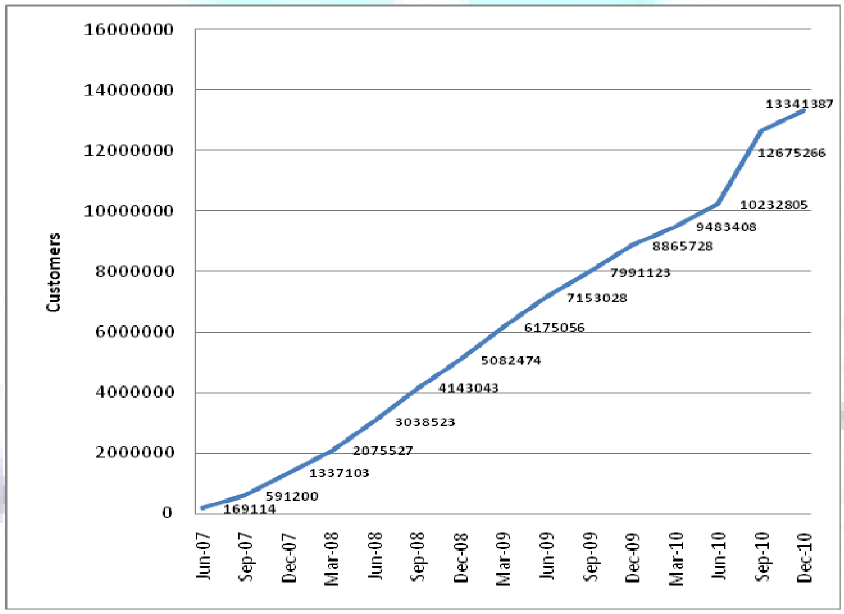
- Deposit and withdraw money
- Transfer money to other users and non-users
- Pay bills
- Purchase airtime

Here is the example how it works:
- Mr. Shyam goes to his nearest M-PESA agents with his official ID and mobile phone to register himself and his SIM card on the system.
- Once he has activated his account and chosen a four-digit password, Mr. Shyam charges up his account by giving the agent cash. The transaction and balance are confirmed via an SMS.
- Mr. Shyam then transfers, via SMS, 3,000 Kenyan shillings ($38.40) to his mother's mobile phone account. M-PESA charges him a flat fee of 30 shillings.
- His mother receives the SMS and keeps it on her phone until the local M-PESA agent passes through her village. She then transfers that money to the agent's phone via SMS, and the agent gives her the cash. Her mother is charged 45 shillings, a fee proportionate to the size of the withdrawal.
- Mr. Shyam can also send money to friends who have not registered for M-PESA or who use a different phone network. In these cases, the fees at both ends of the transfer are higher.

GROWTH

Technology and innovation often catch on ahead of regulation. M-PESA’s growth is a classic example. Within the first eight months after its launch in March 2007, M-PESA announced a subscription base of 9, 00,000 users and 1,200 agents operating nationwide. Meanwhile, a total of KShs. 4 billion (approx US $57 million) had been transmitted, with an average transaction value under KShs. 5,000 (approx US $71).

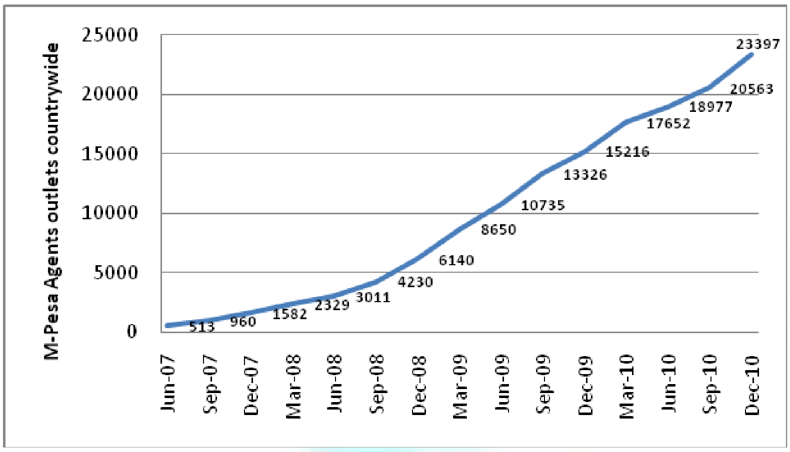
FIGURE 3: CUSTOMER GROWTH OF M - PESA



Source: Safaricom website

In April 2008, Safaricom’s CEO reported that M-PESA had well over two million active subscribers, transmitting over 100 million KShs. (approx. US$ 1,428,571) a day. This was just over a year after M-PESA was launched. Three months later, at the end of July 2008, M-PESA had 3.6 million users, and was adding 10,000 new registrations daily. In just the month of July 2008, people transferred KShs. 21 billion (approx US $300 million). In November 2008 it had 4 million users. Meanwhile, in April 2008, a Steadman Group study reported that over 80% of Kenyans were aware of M-PESA and 66% had actually used it. But these M-PESA users represented only 40% of all Safaricom subscribers. As per the latest data, it has over 13 million users and over 23,000 agents. If all these factors remain relatively constant; we can anticipate that M-PESA will continue to penetrate the market for the coming year or so.

FIGURE 4: AGENTS GROWTH OF M - PESA



Source: Safaricom website

Still, Safaricom is not authorized to operate as a bank; the money being circulated is deposited in a physical bank account at the Commercial Bank of Africa, which supervises the daily transactions of M-PESA. Users make their transactions using virtual information. When they want to withdraw cash, they go to an agent, who is authorized to keep cash and can give them the cash equivalent for the electronic value they transmit to the agent.

WHY M-TRANSFERS HAVE SUCCEEDED IN KENYA?

Several factors help explain the success of M-Pesa, especially in Kenya. The top three are the impressive adoption of mobile phones, the need to access financial services, and the low cost of M-Pesa

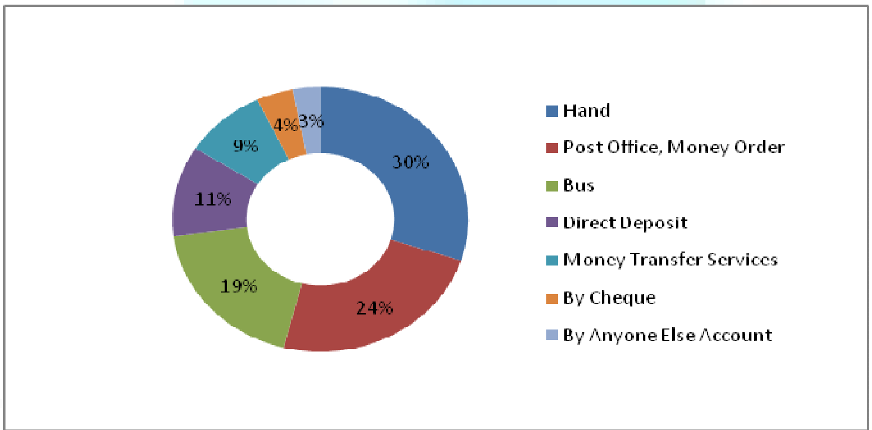
- **DIFFUSION OF MOBILE PHONES**

As Figure 1 shows, the growth of Kenya's mobile subscribers has been tremendous. As of September 2009, the number had risen well above 80 million. In the first quarter of 2006 there were 147.4 million mobile subscribers in Africa; two years later the number had more than doubled, to 301.7 million, representing a penetration rate of 30.4%. Kenya's penetration rate rose from 2% in 2001 to 39% as of the second quarter of 2008. Kenya is the most developed mobile market in East Africa and its penetration rate is forecast to reach 67.5% in 2012.

Four mobile phone operators are active in Kenya. Safaricom, with well over 10 million subscribers, is the clear market leader with 81% of the total subscriber base. Zain (formerly Celtel) follows with just over 3 million subscribers (24%), and Telkom Orange has about 1 million. Econet, barely a month old, has not released any subscription data.

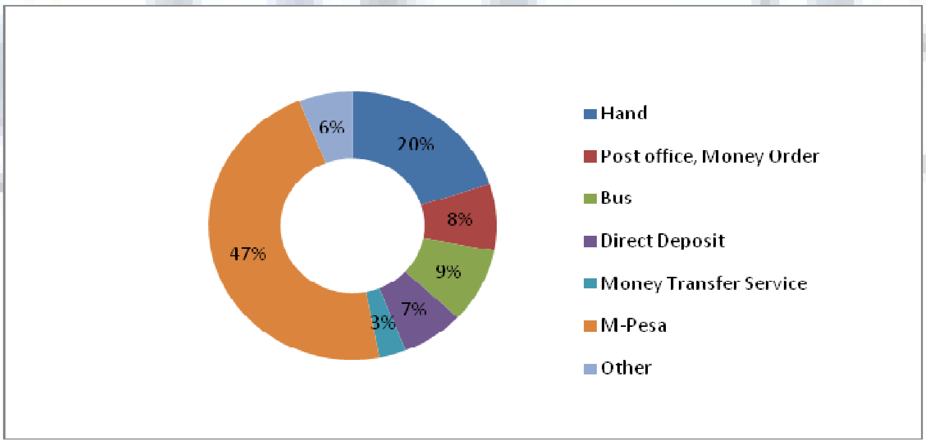
The fact that Safaricom controls such a large percentage of the subscription base has given M-PESA the advantage it needed to penetrate very quickly. Only Safaricom subscribers can operate an M-PESA account, though other network subscribers can receive an SMS from an M-PESA subscriber.

FIGURE 5: PEOPLE SEND MONEY WITHIN KENYA BEFORE INTRODUCING M - PESA



Source: Safaricom website

FIGURE 6: PEOPLE SEND MONEY WITHIN KENYA AFTER INTRODUCING M - PESA



Source: Safaricom website

- **THE NEED FOR ACCESS TO FINANCIAL SERVICES**

As of early 2007, 38% of Kenyans had no access to any form of financial services, according to a national survey, and only 19% had access to formally regulated financial institutions such as banks. In the entire country there were only 400 bank branches and slightly over 600 ATMs—and over 10 million mobile subscribers.

We could easily say that M-PESA took off so rapidly because of the low penetration of banking services and the public need for them. Though few studies have been done to establish whether the service mostly benefits the un-banked, we have several indications that it has gone both ways. Features such as convenience, speed, and low transaction fees attract significant numbers of those who already use banks. Small businesses are among the greatest beneficiaries; using M-PESA lets them go to the bank less often, and spend more time running their businesses. Many un-banked Kenyans can now receive and send money via their mobile phones, wherever they are in the country.

In September 2008, Safaricom signed an agreement with PesaPoint Ltd. To allow M-PESA subscribers to withdraw money through PesaPoint ATMs. Registered in 2005, PesaPoint has a vision: to provide all banked Kenyans with easy access to funds in their bank accounts wherever they are in the country. So far it has installed over 110 ATMs across the country. This agreement helps overcome the problem that agents sometimes do not have enough cash to issue to M-PESA customers who want to withdraw it. This partnership was a major milestone in linking M-PESA to the formal banking system, a confirmation that more financial players are willing to collaborate to improve access to financial services.

In December 2008, M-PESA signed another agreement with Western Union for international cash transactions. Vodafone, Safaricom and Western Union announced that they would partner to pilot a cross-border mobile money transfer service between the U.K. and Kenya. Ultimately M-PESA subscribers will be able to receive international remittances just like local ones. According to the World Bank, Kenyans received approximately $US 1.3 billion in international remittances in 2007; for some Kenyans, these remittances are a considerable part of their total income

- **LOW TRANSACTION COSTS**

According to the 2007 survey mentioned above, over 70% of Kenyans prefer informal methods to remit funds to their loved ones within the country. Of those interviewed, 55% sent money with friends or family members who would be traveling and 22% used public transport companies. Though such methods are not safe, people prefer them because the transaction fees are lower than those of banks and money transfer companies.

M-PESA offers a very competitive service with a very attractive transaction cost. To send KShs. 35,000 (approx US$ 500) using a money transfer company such as Western Union would cost KShs. 1,200 (approx US$ 17) within the country, but using M-PESA to send the same amount would cost only one third as much. And M-PESA is much cheaper than using a bank account. Given their setup and operational costs, banks and money transfer companies cannot offer such low rates.

INNOVATIVE USES OF M-PESA

Originally, M-PESA intended just to design and test a platform that would allow customers to receive money and repay small loans using their handsets. The service was also designed to help microfinance institutions streamline their operations, raising efficiency and boosting business growth. After the pilot the executives at Safaricom saw M-PESA as an opportunity first to become a payment service provider and second to increase customer retention. It has certainly achieved these objectives.

But other, unexpected, uses have also emerged. Some have already been exploited but many more have not. They indicate that a service like M-PESA has the potential to be extended in many innovative ways.

- **PAYING SCHOOL FEES**

Many M-PESA agents report much more business during the early days of January, May and September compared to other months. It was discovered that many parents were using M-PESA to send school fees at the start of new school terms or semesters. M-PESA is a more personal, quick and convenient way to send school fees than the more formal methods. In some cases, parents or guardians send funds to a staff member or even to the child in a school; that person then pays the school fees and gets a receipt. In situations where the trust level is high enough, the electronic money is sent directly to the school cashier, who then prepares a receipt. Both the sender and receiver have confirmations of the money sent on their phones, making it very unlikely that the receiver would refuse to acknowledge receipt of the money.

- **SENDING POCKET MONEY**

Just like they do with school fees, many parents and guardians are now sending pocket money to their dependents using M-PESA. The beauty of this usage is that, to get their money, students in remote areas need not go into town to the post office or Western Union office. M-PESA agents are within reasonable walking distance of many schools. Any student who has access to a mobile phone can get a notification, via SMS, that pocket money has been sent, which is again cheaper and more convenient than other methods.

- **PAYING FOR A DRINK IN A LOCAL CLUB**

On Friday evenings and weekends, many Kenyans visit local clubs to relax and spend time with friends over a drink. Some of these places cannot guarantee security for the club owners, let alone the customers, during off hours. M-PESA provides a secure way to pay and keep money in shops where no credit/debit card infrastructure is in place. In some cases, for the same security reasons, club owners are very particular about only accepting M-PESA and not cash.

- **MAKING INFORMAL LOAN REPAYMENTS**

M-PESA accounts are registered and managed by Safaricom. Each time a sender transfers funds, they receive a confirmation with a transaction identification number, amount sent, name and number of person it was sent to, along with date, time and the remaining balance. The receiver gets equivalent information: transaction ID number, amount received, name and number of sender, date, time and the new balance. This makes it possible to send money using the mobile phone to an officer who can record it as a loan repayment from a member who had gotten a loan. As long as the loan officer knows about and expects a repayment from a specific number, the system is dependable. This usage has been reported with microfinance institutions and savings and credit co-operatives (SACCOs), but not for large financial institutions.

- **SUBMITTING CONTRIBUTIONS TO FUND DRIVES**

People also use M-PESA to send contributions to events like pre-wedding parties and to fund drives for medical bills because it is convenient and available even in remote locations. It is also safer for the treasurers, who need not deal with cash. But the convenience has a downside: when people use technologies like M-PESA, they need not show up for meetings. Their absence removes the social bond as well as the peer pressure that is sometimes necessary to raise more funds. (See the snapshot on social mission.)

- **PAYING FOR PUBLIC TRANSPORT**

The transport system in Kenya is largely controlled by private owners of buses and vans. Travelers rarely have any payment option besides cash. Sometimes travelers must depend on the driver or his assistant for change, an exercise that can get messy when no one has the desired smaller bills or coins. Here is where M-PESA comes in handy. It is also safer for drivers and their assistants to deal with virtual currency than cash. When travellers need less than KShs. 100, the least one can send from an M-PESA account, they can use airtime transfers. Airtime is an electronic value bought from authorized agents to make phone calls. Though airtime is different from M-PESA value, it can be transferred between mobile phones at no cost—and can also be converted back to cash, informally. So the passenger who wants to pay KShs. 10, but has no cash, would transfer airtime worth KShs. 20 (the minimum allowed) to the bus driver, who would then give him back KShs. 10 as cash.

- **KEEPING MONEY SAFE, IN A VIRTUAL CHECKING ACCOUNT**

Moving around with cash is convenient but not safe. Checking, or current, accounts provide safety but not convenience, especially when access to bank branches is limited. In a country where 38% of people have no bank account, MPESA provides both convenience and safety. People walk around with their virtual money knowing they can withdraw cash any time at a minimal fee. Nor does a lost or stolen mobile phone mean catastrophe: no one can access an M-PESA account without a correct personal identification number (PIN). Like the Internet, whose uses have evolved to be very different from those originally intended, all these ways of using M-PESA have appeared in response to necessity and are not directly controlled by Safaricom. The two snapshots show how M-PESA continues to make a difference in people's daily lives.

- **OPPORTUNITIES FOR AGENTS**

As M-PESA expands its services, many more agents are signing on. Agents have three primary responsibilities: accept deposits and load them onto a customer's mobile account, transfer funds on behalf of non-registered users, and serve as points for withdrawing cash. Ngummo, a middle-class suburb of Nairobi, has seen the number of its agents rise from four in June 2008 to its current twenty. This indicates how popular the service has become among Safaricom subscribers, as well as being a lucrative business proposition for the agents. Starting with 355 agents in April 2007, currently 15,000 agents are providing the service in each and every corner of the country. Thus it becomes the largest employment provider of the nation.

CONCLUSION

Since M-Pesa resulted from an integration of the retail financial systems and mobile services, many countries, including India, are taking interest in it. In fact it is seen as a grey area, somewhere between the mobile telephony and banking. But as far as the financial inclusion is concerned, the innovative possibilities are many and so are the regulators must deal with these uncertainties. Increasing interest and collaboration of reputed banks and mobile service provider companies is the evidence that a day is not so far when any person of the world would enjoy basic financial services from any corner of the world. This will not be a one-man show; what will set us free is a collaborative engagement by regulators involving research institutions, development agencies, academic institutions and companies in the private sector. Well-crafted and inclusive regulation will increase confidence, and create a fair playing ground for all players and an enabling environment where these innovations can grow and this is the ultimate requirement for global financial inclusion mission.

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FOREIGN INSTITUTIONAL INVESTORS (FIIS) INVESTMENT IN INDIA: A TREND ANALYSIS OF MONTHLY FLOWS DURING JANUARY 2004 - AUGUST 2010

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ABSTRACT

The ultimate objective of FIIs to invest in any country is return and safety of its funds. Here in this paper researchers have made an attempt to analyze the trend of FIIs investment in India. The information regarding monthly and yearly investment by Foreign Institution Investors (FII's) in India have been collected from the RBI's annual manual. The period covered under the study is from January 2004 to August 2010.The findings of the study indicate that in 2009 FIIs have invested Rs. 912,033 million. While they have withdrawn Rs. 604,266 million in 2008 this is due to the effect of global meltdown and recession in world economy. During the study we found that Market size, Political scenario, Labour cost and productivity, Liberalized Trade Policy, Infrastructure, Incentives and Operating conditions and Disinvestment policy were the causes of FIIs investment in India.

KEYWORDS

Foreign Institutional Investors, Trend Analysis, Indian Economy.

INTRODUCTION

Investment is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. Investment is related to saving or deferring consumption. An investment involves the choice by an individual or an organization such as a pension fund. after some analysis or thought, to place or lend money in a vehicle, instrument or asset, such as property, commodity, stock, bond, financial derivatives (e.g. futures or options), or the foreign asset denominated in foreign currency, that has certain level of risk and provides use possibility of generating returns over a period of time. When an asset is bought or a given amount of money is invested in the bank, there is anticipation that some return will be received from the investment in the future. Investment comes with the risk of the loss of the principal sum. The investment that has not been thoroughly analyzed can be highly risky with respect to the investment owner because the possibility of losing money is not within the owner's control. The difference between speculation and investment can be subtle. It depends on the investment owner's mind whether the purpose is for lending the resource to someone else for economic purpose or not. Investment can be made by a Person resident in India and an entity resident out of India or Foreign Institutional Investors (FIIs)

India opened its stock market to foreign investors in September 1992 and in 1993 received portfolio investment from foreigners in the form of foreign institutional investment in equities. This has become one of the main channels of FI1 in India for foreigners. Initially, there were many terms and conditions which restricted many FIIs to invest in India but in the course of time, in order to attract more investors SEBI has simplified many terms such as the ceiling for overall investments of FIIs.

FII's (Foreign Institutional Investors) is used to denote an investor: it is mostly of the form of an institution or entity which invests money in the financial markets of a country. The term FII is most commonly used in India to refer to companies that are established or incorporated outside India, and is investing in the financial markets of India. These investors must register with the Securities & Exchange Board of India (SEBI) to take part in the market.

Entities covered by the term 'FII' include "Overseas pension funds, mutual funds, investment trust, asset management company, nominee company, bank, institutional portfolio manager, university funds, endowments, foundations, charitable trusts, charitable societies, a trustee or power of attorney holder incorporated or established outside India proposing to make proprietary investments or investments on behalf of a broad-based fund .

Foreign Institutional Investors (FIIs) are allowed to invest in the primary and secondary capital markets in India through the Portfolio Investment Scheme (PIS) administered by the Reserve Bank of India (RBI). Under this scheme FIIs can acquire shares/debentures of Indian companies through the stock exchanges in India.

India, which is the second fastest growing economy after China, has lately been a major recipient of Foreign Institutional Investor (FII) funds driven by the strong fundamentals and growth opportunities. According to analysts, the late revival of monsoon, upward revision of economic growth from 5.8 per cent to 6.1 per cent, better-than-expected performance of companies in the quarter ended-June 30, the new direct taxes code, leading to savings in the tax payer's money, and the trade policy with an ambitious target of US$ 200 billion exports for 2010-11 have all revived the confidence of FIIs investing in India. Both consumption and investment-led industries linked to domestic demand, such as auto, banking, capital goods, infrastructure and retail, are likely to continue attracting FII funds.

LITERATURE REVIEW

Chakrabarti (2001) has examined in his research that following the Asian crisis and the bust of info-tech bubble internationally in 1998-99 the net FII has declined by US$ 61 million. But there was not much effect on the equity returns. This negative investment would possibly disturb the long-term relationship between FII and the other variables like equity returns, inflation, etc; He has marked a regime shift in the determinants of FII after Asian crisis. The study found that in the pre-Asian crisis period any change in FII found to have a positive impact on the equity returns. But in the post-Asian crisis period it was found the reverse relation that change in FII is mainly due to change in equity returns. *Stanley Morgan (2002)* has examined that FIIs have played a very important role in building up India's forex reserves, which have enabled a host of economic reforms. Secondly, FIIs are now important investors in the country's economic growth despite sluggish domestic sentiment. The Morgan Stanley report notes that FII strongly influence short-term market movements during bear markets. However, the correlation between returns and flows reduces during bull markets as other market participants raise their involvement reducing the influence of FIIs. Research by Morgan Stanley shows that the correlation between foreign inflows and market returns is high during bear and weakens with strengthening equity prices due to increased participation by other players. *Mukherjee Paramita, Bose Suchismita Bose and Coondoo Dipankor (2002),* found that over the past decade India has gradually emerged as an important destination of global investors' investment in emerging equity markets. In their study they explore the relationship of FIIs flows to the Indian equity market with it possible covariates based on a time series of daily data for the period January, 1999 to May, 2002. Their results show that, though there is a general perception that F1I activities exert a strong demonstration effect and thus derive the domestic stock market in India; evidence from causality tests suggests that FII flow to and from the Indian market tends to be caused by return in the domestic equity market and not the other way round. *Sivakumar S (2003)* has analysed the net flows of foreign institutional investment over the years. it also briefly analyses the nature of FII flows based on research, explores some determinants of FII flows and examines if the overall experience has been stabilising or destabilizing for the Indian capital market. *Rai Kulwant et al (2003)* held that the present study tries to examine the determinants of Foreign Institutional Investments in India, which have crossed almost US$ 12 billions by the end of 2002. Given the huge volume of these flows and its impact on the other domestic financial markets understanding the behavior of these flows becomes very important at the time of liberalising capital account. In this study, by using monthly data, we found that FII inflow depends on stock market returns, inflation rate (both domestic and foreign) and ex-ante risk. In terms of magnitude, the impact of stock market returns and the ex-ante risk turned out to be major determinants of FII inflow. This study did not find any causation running from FII inflow to stock returns as it was found by some studies. Stabilizing the stock market volatility and minimizing the ex-ante risk would help in attracting more FII inflow that has positive impact on the real economy. *Agarwal, Chakrabarti et al (2003)* have found in their research that the equity return has a significant and positive impact on the FII. But given the huge volume of investments, foreign investors could play a role of market makers and book their profits, i.e., they can buy financial assets when the prices are declining thereby jacking-up the asset prices and sell when the asset prices are increasing. Hence, there is a possibility of bi-directional relationship between FII and the equity returns. *Sundhya Ananthanarayanan (2004)* held that as part of its initiative to liberalize its financial markets, India opened her doors to foreign institutional investors in September, 1992. This event represents a landmark event since it resulted in effectively globalizing its financial services industry. We study the impact of trading of Foreign Institutional Investors on the major stock indices of India. Our major findings are as follows. First, we find that unexpected flows have a greater impact than expected flows on stock indices. Second, we find strong evidence consistent with the base broadening hypothesis. Third, we do not detect any evidence regarding momentum or contrarian strategies being employed by foreign institutional investors. Fourth, our findings support the price pressure hypothesis. Finally, we do not find any substantiation to the claim that foreigners' destabilize the market. *David A. Carpenter el al (2005)* has examined that the Indian government has established a regulatory framework for three separate investment avenues: foreign direct investment; investment by foreign institutional investors; and investment by foreign venture capital investors. While these investment alternatives have created clear avenues for foreign investment in India, they remain subject to many conditions and restrictions which continue to hamper foreign investment in India. *Dhamija Nidhi (2007)* held that the increase in the volume of foreign institutional investment (FII) inflows in recent years has led to concerns regarding the volatility of these flows, threat of capital flight, its impact on the stock markets and influence of changes in regulatory regimes. The determinants and destinations of these flows and how are they influencing economic development in the country have also been debated. This paper examines the role of various factors relating to individual firm-level characteristics and macroeconomic-level conditions influencing FII investment. The regulatory environment of the host country has an important impact on FII inflows. As the pace of foreign investment began to accelerate, regulatory policies have changed to keep up with changed domestic scenarios. The paper also provides a review of these changes. *P. Krishna Prasanna (2008)* has examined the contribution of foreign institutional investment particularly among companies included in sensitivity index (Sensex) of Bombay Stock Exchange. Also examined is the relationship between foreign institutional investment and firm specific characteristics in terms of ownership structure, financial performance and stock performance. It is observed that foreign investors invested more in companies with a higher volume of shares owned by the general public. The promoters' holdings and the foreign investments are inversely related. Foreign investors choose the companies where family shareholding of promoters is not substantial. Among the financial performance variables the share returns and earnings per share are significant factors influencing their investment decision.

TREND ANALYSIS

The term "trend analysis" refers to the concept of collecting information and attempting to spot a pattern, or trend, in the information. In some fields of study, the term "trend analysis" has more formally-defined meanings.

In project management **trend analysis** is a mathematical technique that uses historical results to predict future outcome. This is achieved by tracking variances in cost and schedule performance. In this context, it is a project management quality control tool. The analysis of a variable's past value changes to determine if a trend exists and if so. What the trend indicates? A technical analyst may graph a stock's price throughout a period of time to determine whether a trend has been established. This is a type of technical analysis that is used /or attempt to predict the future movement of a stock or institutional of fund.

SPECIFIC OBJECTIVES

1) To find out the causes for investment by Foreign Institutional Investors (FIIs) in India.
2) To know the trend of investment of Foreign Institutional Investors in India.
3) To study the scope and trading mechanism of Foreign Institutional investors in India.

RESEARCH METHODOLOGY

Our entire study is based on secondary data and relevant secondary data have been collected from various books, journal and web sites. The information regarding monthly and yearly investment by Foreign Institution Investors (FII's) in India have been collected from the RBI's annual manual. The period covered under the study is from January 2004 to August 2010. We have used Trend Analysis Technique by which we would able to know the trend of investment by FII's. Trend analysis is used to predict a trend of investment in future and know the impact of past in present or in future. In trend analysis one can also compute the percentage and know the results about future. Here the purpose of using trend analysis is to determine and find trend of FIIs investment in India.

TREND ANALYSIS OF FII'S

TABLE 1- FIIS INVESTMENT IN INDIA IN 2004

Month Ended	Amount (Rs M)
Jan-2004	24,356
Feb-2004	31,591
Mar-2004	87,688
Apr-2004	41,730
May-2004	-32,505
Jun-2004	3,106
Jul-2004	11,965
Aug-2004	28,112
Sep-2004	27,843
Oct-2004	40,424
Nov-2004	64,224
Dec-2004	68,538

FIGURE 2

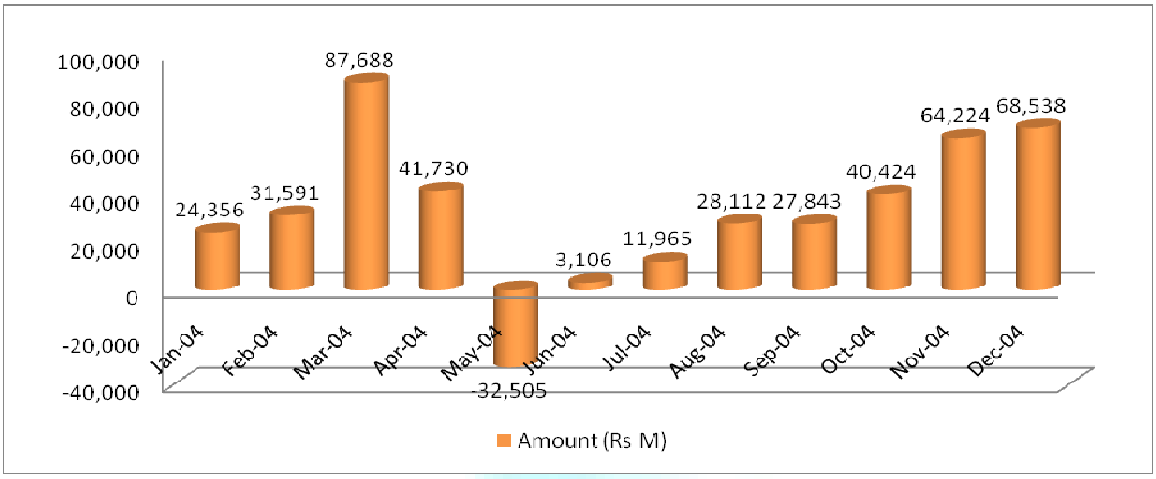


Table 1 shows that in the month of March, 2004 FIIs investment was Rs. 87,688 million followed by Rs. 68,538 million in Dec. 2004, while FIIs have withdrawn Rs. 32,505 in May, 2004.

TABLE 2- FIIS INVESTMENT IN INDIA IN 2005

Month Ended	Amount (Rs M)
Jan-2005	13,523
Feb-2005	80,796
Mar-2005	74,504
Apr-2005	9,471
May-2005	-6,961
Jun-2005	57,621
Jul-2005	87,685
Aug-2005	44,126
Sep-2005	42,380
Oct-2005	-28,526
Nov-2005	40,641
Dec-2005	40,641

FIGURE 2

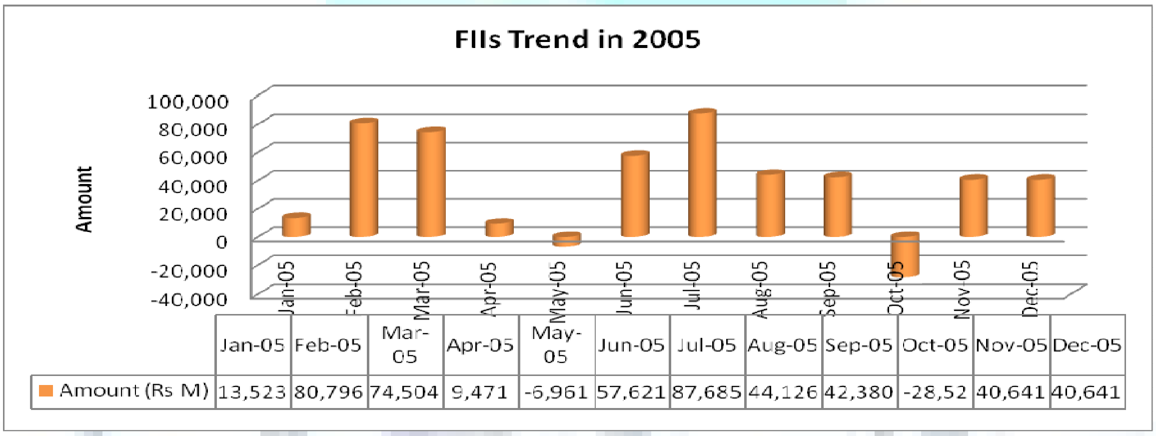


Table 2 shows that FIIs have invested Rs. 87,685 in July, 2005 which was the highest amount invested by FIIs for the year 2005. In May and October, 2005 FIIs have withdrawn Rs. 6,961 million and Rs. 28,526 million respectively.

TABLE 3- FIIS INVESTMENT IN INDIA IN 2006

Month Ended	Amount (Rs M)
Jan-2006	37,983
Feb-2006	75,720
Mar-2006	59,778
Apr-2006	39,771
May-2006	-82,473
Jun-2006	9,094
Jul-2006	12,764
Aug-2006	47,739
Sep-2006	59,282
Oct-2006	65,995
Nov-2006	93,142
Dec-2006	-35,936

FIGURE 3

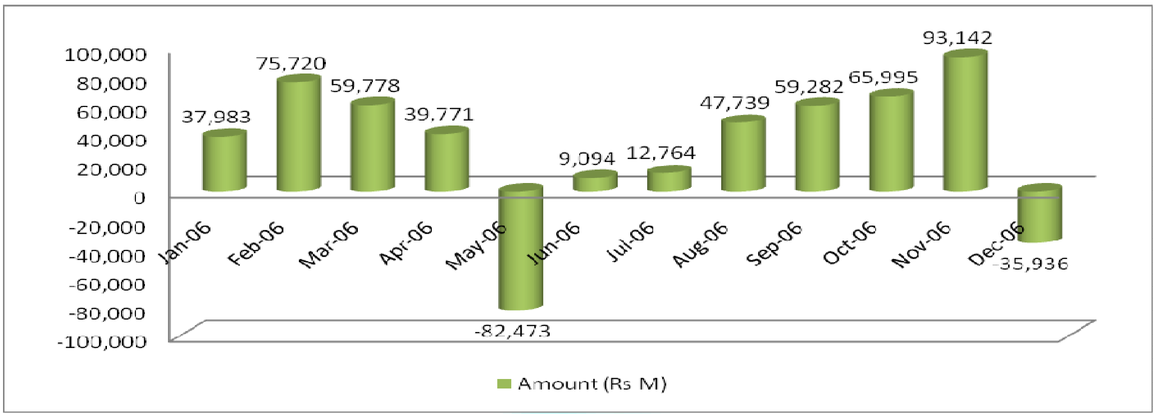
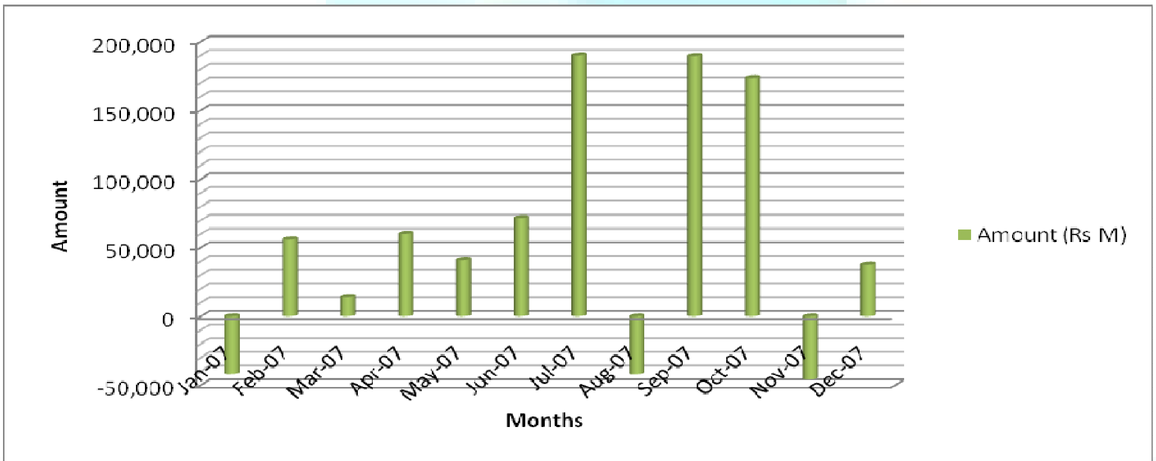


Table 3 reveals that in the year 2006 FIIs inflow was less than in comparison to outflow i.e. FIIs have withdrawn the highest amount for the year. FIIs withdrew Rs. 82,473 million in May, 2006 followed by Dec. 2006. Inflow of funds by FIIs in India was highest in Nov. 2006 i.e. Rs. 93,142 million followed by Rs. 75,720 in Feb. 2006.

TABLE 4- FIIS INVESTMENT IN INDIA IN 2007

Month Ended	Amount (Rs M)
Jan-2007	-41,761
Feb-2007	55,954
Mar-2007	14,033
Apr-2007	59,987
May-2007	40,968
Jun-2007	71,694
Jul-2007	189,953
Aug-2007	-41,913
Sep-2007	189,485
Oct-2007	173,613
Nov-2007	-45,974
Dec-2007	37,558

FIGURE 4



In the year 2007, FIIs average inflows and outflows of funds were very high. FIIs investment was highest Rs. 189,953 million and Rs. 189,485 million in July 2007 and Sep. 2007 respectively, while FIIs have withdrawn three times in the same year i.e. Rs. 41,761 million in Jan., Rs. 41,913 million in Aug., and Rs. 45,974 in Nov. 2007.

TABLE 5- FIIS INVESTMENT IN INDIA IN 2008

Month Ended	Amount (Rs M)
Jan-2008	-172,269
Feb-2008	48,827
Mar-2008	1,244
Apr-2008	5,080
May-2008	-46,722
Jun-2008	-105,777
Jul-2008	1,758
Aug-2008	-35,979
Sep-2008	-65,996
Oct-2008	-142,486
Nov-2008	-35,037
Dec-2008	14,260

FIGURE 5

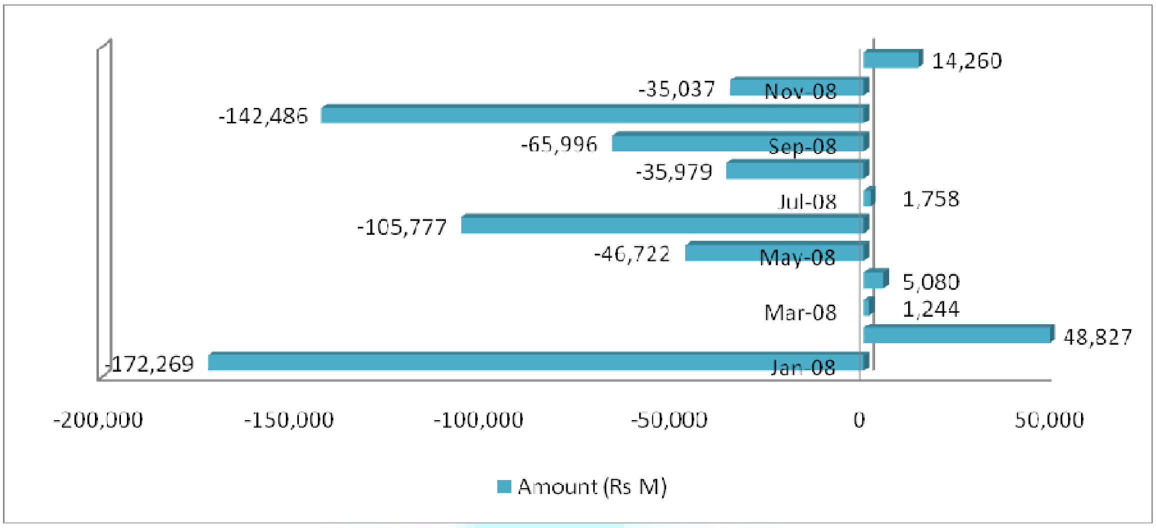
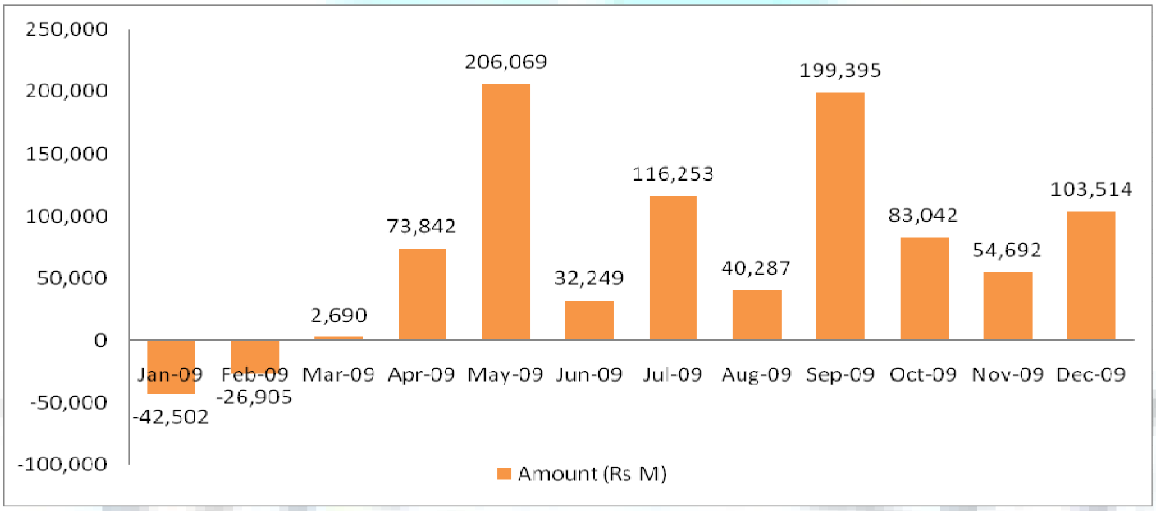


Table 5 shows outflow trend throughout the year. In Jan. 2008 FIIs have withdrawn Rs. 172,269 million which was the highest amount withdrawn in 2008. Inflow of funds was quite less. FIIs have invested maximum amount of Rs. 48,827 million in Feb. 2008.

TABLE 6- FIIS INVESTMENT IN INDIA IN 2009

Month Ended	Amount (Rs M)
Jan-2009	-42,502
Feb-2009	-26,905
Mar-2009	2,690
Apr-2009	73,842
May-2009	206,069
Jun-2009	32,249
Jul-2009	116,253
Aug-2009	40,287
Sep-2009	199,395
Oct-2009	83,042
Nov-2009	54,692
Dec-2009	103,514

FIGURE 6

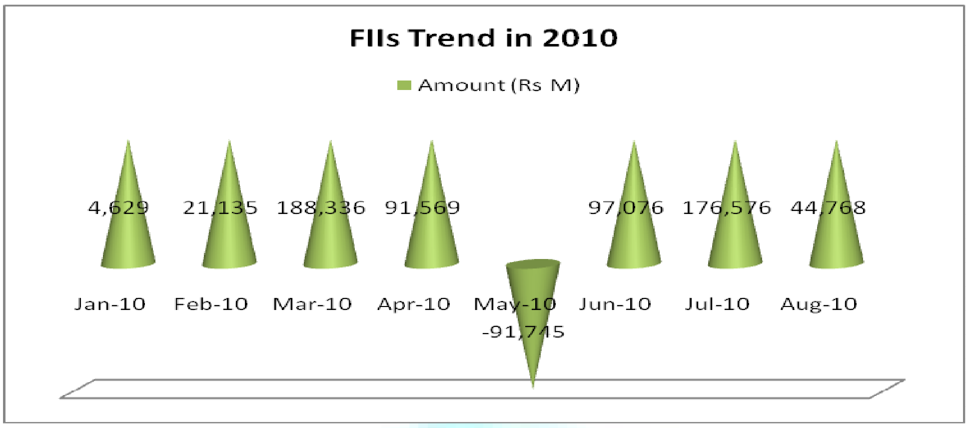


Year 2009 was good from India's point of view because in 2009 FIIs investment has been highest since 2004. In May, 2009 FIIs invested Rs. 206,069 million followed by Rs. 199,395 million in Sep.2009. FIIs have withdrawn two times i.e. in Jan. and Feb. 2009.

TABLE 7- FIIS INVESTMENT IN INDIA IN 2010

Month Ended	Amount (Rs M)
Jan-2010	4,629
Fab-2010	21,135
Mar-2010	188,336
Apr-2010	91,569
May-2010	-91,745
Jun-2010	97,076
Jul-2010	176,576
Aug-2010	44,768

FIGURE 7



FIIs inflow was quite satisfactory in 2010 as it was in 2009. FIIs investment was Rs. 188,336 million and Rs. 176,576 in March and July respectively. FIIs have withdrawn Rs. 91,745 million in May, 2010.

TABLE 8- FIIS INVESTMENT IN INDIA FROM 2004 TO 2010

Year	**Amount (in Rs. Million)**	
	Total Inflows Investment by FIIs in India	**Total Outflow Withdrawal by FIIs from India**
2004	429,577	32,505
2005	491,388	35,487
2006	501,268	118,409
2007	833,263	129,648
2008	71,169	604,266
2009	912,033	69,407
2010*	624,089	91,745

*From Jan. 2010 to Aug. 2010. Data were not available

Source: RBI, Annual Manual

FIGURE 8

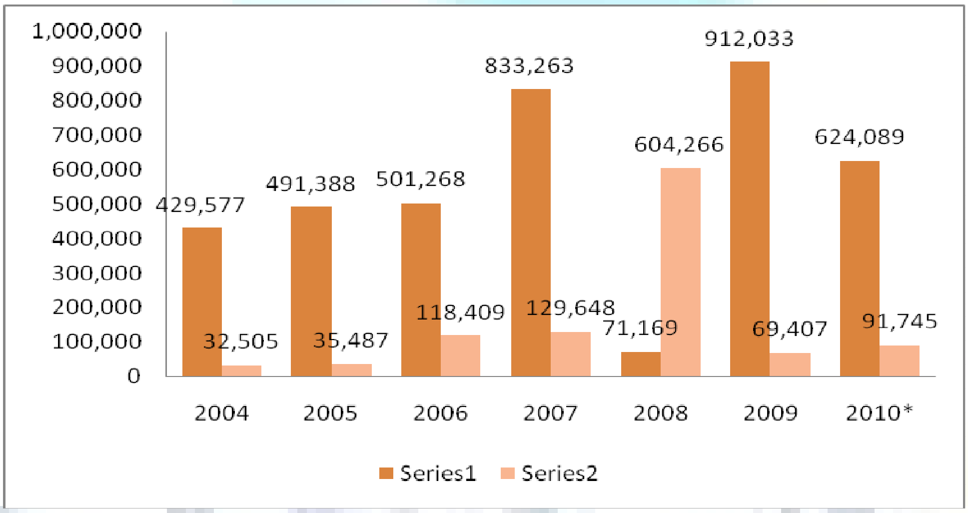


Table -8 shows total inflow and outflow of funds by FIIs in India. It was found that highest inflow was in 2009 and highest withdrawal was in 2008. Least withdrawal was in 2004 and least investment was in 2008.

FINDINGS

1) We found that in 2009 FIIs have invested Rs. 912,033 million. While they have withdrawn Rs. 604,266 million in 2008 it was the effect of global meltdown or recession in world economy.
2) FIIs have less impact on Indian stock indices and other unexplained variables are also influencing the Indices.
3) We found that in 2008 FII's have invested lowest amount of Rs. 71,169 million.
4) We found that domestic sources of outside finance are limited in many countries, particularly those with emerging markets. Through capital market liberalization, foreign capital has become increasingly significant source of finance.
5) We also found that FIIs Investment is depend on the economic condition of the nation, as we can observe from table-8 that during the time of economic recession FIIs have withdrawn their maximum amount.
6) As table 8 shows that there was highest inflow of funds by FIIs in 2009. One of the reasons was the growth of stock market. The FII money found its way to the different financial asset classes, including emerging Indian capital markets.
7) The main reason why FIIs put their money in India is because goods and providing services at a lower cost. The scarcity employment opportunities can easily hire a well qualified or even an over qualified professional at lower cost.
8) During the study we found that Market size, Political scenario, Labour cost and productivity, Liberalized Trade Policy, Infrastructure, Incentives and Operating conditions and Disinvestment policy were the causes of FIIs investment in India.

CONCLUSION

The important result of this analysis is that the FIIs investment behaviors are determined by stock market return and risk in and economic factors of India. FIIs investment decisions are not major factors for stock market boom and crash in India but there are numerous other reasons which determine the trend of FIIs inflows and outflows from and in India. As we have seeing that India's rapid annual growth rate of more than 8 per cent is reflected in the performance of funds investing in the country. In 2008 FIIs have withdrawn Rs. 604,266 million and on the contrary FIIs invested Rs. 912,033 million in 2009 which reflect that strong economic conditions plays very vital role in influencing FIIs inflows in the country. One of the impacts of Global Meltdown has been observed during the year 2007-08 while in the year 2009 FIIs have again infuse money into the Indian financial market because they may predict the positive signs of Growth of Indian Economy. Nowadays FIIs are the major contributors to the stock markets. The pros of allowing FIIs to invest in the Indian markets far outweigh the cons. simply banning participatory notes cannot he a solution. It is up to the policy makers of India to allow to operate and provide them with more opportunities and reasons to invest in Indian markets. Domestic sources of outside finance are limited in many countries, particularly those with emerging markets. Through capital market liberalization, foreign capital has become increasingly significant source of finance. Since India is a labour intensive country. Therefore, in developing countries like Indian foreign capital helps in increasing the productivity of labour and to build up foreign exchange reserves to meet the current account deficit. Foreign Investment provides a channel through which country can have access to foreign capital. It is required to understand when they withdraw their funds and when they pump in more money. Higher Sensex indices and high price earnings ratio are the country level factors attracting more foreign investment in India. Our study reveals that there is a growth trend in FIIs investment in India. Investment of FIIs kept on growing from 2004 to 2009.

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MAKING FINANCE ACCESSIBLE THROUGH FINANCIAL INCLUSION: EVIDENCES FROM ASSAM

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ABSTRACT

Financial Inclusion is the provision of variety of appropriate financial services such as savings, credit, insurance, cash payment and transfer facilities at an affordable cost for poverty reduction and social enhancement of underprivileged section. Financial Inclusion has improved in Assam when compared to other north-eastern states over a period of five years (from 2006 to 2010). The number of bank branches, no-frills accounts; issue of KCCs and GCCs has registered increasing trend in Assam from the year 2006 to 2010. However, access does not always lead to usage (Ramji, 2009). Hence primary level research is advocated to cross examine the claim of the supply side. It will provide the policymakers a base for shaping the future policy decisions. The present paper attempts to examine the progress of the financial inclusion initiatives in Assam by analyzing the figures provided by the State Level Bankers Committee reports and RBI reports. An analytical study is made to examine the progress by the formal financial system in Assam in priority sector lending, opening of no-frills accounts, and issue of KCCs and GCCs. Financial inclusion started take off in Assam in 2006 with and recorded a considerable growth in terms of various initiatives. It stood as the leading state in the region extending financial services to those who were out of the formal financial net hitherto. However, a gap is seen between the technology partners and financial providers. Difficult physiological structure and complex socio-cultural factors has also impacted the spread.

KEYWORDS

Financial Inclusion, financial access and usage, KYC.

INTRODUCTION

Today, financial inclusion has been widely recognized as a paradigm for mainstreaming the marginalized section of society especially in developing countries where poverty incidence and financial exclusion is extreme. Financial inclusion has received increased attention in view of the international initiatives towards inclusive growth of the emerging economies. It may be viewed as a 'tool' that would move the wealth effect towards a neutral domain and Inclusive growth as a 'target'. As a tool for intensification and extension of poverty alleviation efforts (Karmakar, 2008), financial inclusion aims at balanced growth ensuring equitable distribution of benefits of growth process on a sustainable basis and reducing the detrimental concentration of economic power in to a handful of population. Inclusive growth, a term coined and stated in the eleventh five year plan aims at a growth process which yields broad-based benefits and ensures equality of opportunity for all (Planning Commission, 2008 and Chakrabarty, 2009). The prerequisite for achieving inclusive growth is to build inclusive financial sectors (Annan, 2003). The term financial inclusion, commonly explains about the delivery of basic financial services such as savings, credit, insurance, cash payment and transfer facilities at an affordable cost for poverty reduction and social enhancement of underprivileged section[i]. It gives an opportunity to the poor to avail of the benefits of modern economy by satisfying their unique needs[ii]. Internationally, the advanced countries like United Kingdom, United States of America, France, Australia, Belgium, Canada has taken specific initiatives like voluntary code of practices, legislation-backed norms, basic bank and subsidized accounts to include the financially excluded people with in the banking system (Das and Tiwari, 2010).

THE PROBLEM OF FINANCIAL ACCESS

Despite rapid economic development and modernization of world economy, gaps in financial access remain severe. Around 90 percent of people in developing countries still lack access to the formal financial system (United Nations, 2006). According to recent data of the World Bank India ranks much lower compared to OECD countries with regard to financial access. However, when compared to selected Asian peer group countries, the access to bank branches and ATMs is lower than Malaysia and Thailand but higher than China and Indonesia as the number of branches and ATMs per 1,00,000 persons in India were 7.13 and 5.07 in 2010 (RBI, 2009-10b[iii]).

A shocking 30-35 percent of the total population in India still lives below the poverty line. Poverty characterized by low health and nutrition levels, high infant mortality and illiteracy, is now almost the same in terms of the proportion of population in rural and urban areas. It is estimated that around 400 million people, still live in absolute poverty defined as less than $1 per day (Ultra poor), accounting for more than 36 percent of the total population in India. Around 60 percent people in some pockets of BIMARU states live with less than half a dollar a day (Arunachalam, 2008). Among others, financial exclusion is a significant characteristic of these poorest states. In India 59 percent of adult population have access to bank accounts while 41 percent of the population is still unbanked. The coverage in rural areas is 39 percent against 60 percent in urban areas (Thorat, 2007). This results in greater dependence on the informal and exploitative sources of credit.

Financial inclusion is an important component of the programme launched by UNDP working in the poverty reduction thematic area with the state governments to facilitate the design and implementation of pro-poor and inclusive livelihood promotion strategies. To increase the level of Financial Inclusion, RBI aims at "connecting people" with the banking system and not merely opening up of bank accounts. Initiatives by RBI for broadening access to finance includes formulation of the Kisan Credit Card (KCC) scheme in 2001; introduction of 'no-frills' account in November 2005; issue of general credit cards (GCC) akin to KCCs to provide hassle free credit in December 2005 (Total number of GCCs issued by banks in India as at end-March, 2009 was only 0.15 million.); simplification of know your customer (KYC) norms[iv]; use of Information technology like Smart cards (for opening bank accounts with biometric identification), Mobile Banking, Electronic Benefit Transfer (EBT[v]), 100 percent Financial Inclusion Drive, Business Facilitator/ Business Correspondent Model, Liberalization of bank branch and ATMs expansion, establishment of Financial Literacy and Credit Counseling centers (Subbarao, 2009).

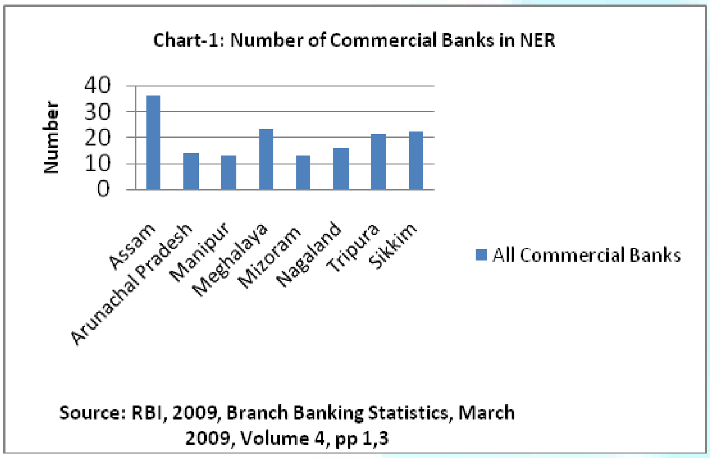
FINANCIAL ACCESS SCENARIO IN NORTH EAST REGION (NER)

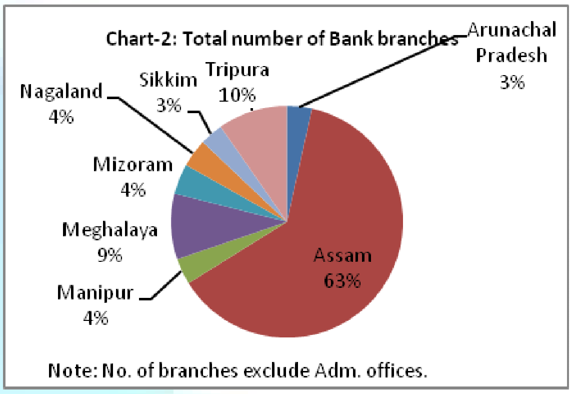
The proliferation of banking facilities for the poor has been uneven across India. Where some regions boast high rates of financial inclusion, others lag behind. NER falls among the slow progress region as inclusion of farmer households is lowest with 19.7 percent whereas the national average is 48.6 percent[vi]. Further NER have only 21.1 percent institutional inclusion (Karmakar and Mohapatra, 2009). According to NSSO Survey 59th Round about 50 million (on average 51.4 percent farmer households out of 89 million) Indian households do not have access to credit either from institutional or non-institutional sources. Around 73 percent of total farmer households in the country do not have access to formal credit (Rangarajan, 2008). The scenario of farmer households not having access to formal credit as a proportion to total farmer households is particularly grim in the NER (above 95 percent), followed by eastern region (above 80 percent), central region (above 77 percent) and southern region (above 30 percent) (Government of India, 2003).

TABLE-1 : NUMBER OF COMMERCIAL BANKS & NUMBER OF BRANCHES OF SCHEDULED COMMERCIAL BANKS AND AVERAGE POPULATION PER BANK BRANCH IN NER (MARCH 2009)

State	All Commercial Banks	Total branches	Average population per Bank branch (in thousands)
Assam	36	1377	22
Arunachal Pradesh	14	76	16
Manipur	13	80	33
Meghalaya	23	201	13
Mizoram	13	93	11
Nagaland	16	86	26
Tripura	21	213	17
Sikkim	22	71	8
ALL-INDIA	171	79735	15

Note: No. of branches exclude Adm. offices.
Source: RBI, 2009, Branch Banking Statistics, March 2009, Volume 4, pp 1,3





Source: RBI, 2009, Branch Banking Statistics, March 2009, Volume 4, pp 1,3

The branch banking statistics reveals that barring Assam, the number of commercial banks and total branch statistics is having gloomy picture in NER. Out of total 171 commercial banks operating in India, 36 banks are having presence in Assam. Other NER states like Manipur and Nagaland have presence of only 13 commercial banks. Assam is covered by 1377 bank branches but other states in NER like Sikkim, Arunachal Pradesh, Manipur, and Nagaland have comparatively less number of bank branches (Table-1). The main reasons for lower banking outreach can be attributed to the factors like difficult terrain, low density of population and cultural reservations.

Population per branch (the basic indicator of penetration of banking services) has declined over the years in India. However, the regional disparities still persist as in northern, southern and western regions it ranges from 10000 to 14000 whereas in the central, eastern and north-eastern regions, it is still high as it ranges from 18000 to 19000 as on 31st March 2010. Further, the penetration of bank credit, the amount of credit per capita is lowest in NER compared to other regions. Nonetheless, in case of the amount of deposit per capita NER is above the Central region but below all other regions (RBI, 2009-10b). If we compare RBI statistics (on March 2009), than the average population per bank branch in India is 15000 whereas Assam is showing a disappointing figure of 22000 people per bank branch[vii] (RBI, 2009b). In other NER states like Manipur (33000) and Nagaland (26000), the scenario is even gloomy in comparison to Assam and India averages. But smaller states like Sikkim (8000) and Tripura (17000) has a better population per bank branch scenario. It will be worthwhile to mention here that Sikkim being the smallest state in terms of geographical area has 22 commercial banks in operation which reveals good penetration of commercial banks in the state (Table-1).

OBJECTIVE

The paper presents an overview of financial inclusion in Assam and attempts to examine the progress of the initiatives undertaken in the State.

METHODOLOGY

This is an analytical study based on secondary data taken from reports of Reserve Bank of India and State Level Bankers Committee (SLBC), Assam for last five years 2006 to 2010. A few structured formal interviews with some of the bank officials were also conducted to collect primary data on financial inclusion initiatives specially relating to appointment of BC/BF.

FINANCIAL INCLUSION INITIATIVES IN ASSAM

Assam is the gateway to northeast and it is also considered as financial hub of the region, which is connected through a 'chicken neck' with rest of India. Assam figures in the Planning Commission's (1999-2000) list of India's five poorest states[viii] with Orissa, Bihar, Madhya Pradesh and Sikkim. The economy of Assam is primarily agrarian and around 53 per cent of rural labour force is dependent on agriculture and allied activities as per Population Census, 2001. The advance estimates for 2007-08 reveals that the per capita Net State Domestic Product of Assam stands at Rs. 22081 (Economic Survey, Assam 2007-08). The total population of Assam stands at around 3.11 crore as per the provisional figures of Census 2011, which is considerably higher than the other NER states (censusindia.gov.in). However, despite having the highest population in NER and being the financial capital of NER, difficult terrain, poor transport facilities and other physiological barriers are hindering the growth of good financial structure in the state.

Considering the background of financial exclusion in the state and the region, the Reserve bank of India has initiated a special focus on NER with formulation of the Committee on Financial Sector Plan for North Eastern Region under the chairmanship of Smt. Usha Thorat, in the year 2006 .The main focus of the committee was to examine the initiatives undertaken so far for extending the banking outreach and enhancing the flow of credit in NER; to identify the hindrances pertaining to flow of credit and access to financial services in NER and to suggest appropriate measures for overcoming the same. Further, the committee was also expected to frame state wise action plans depending on the prevailing local conditions and give suitable recommendation for improving the financial access scenario in the NER states. Accordingly, the committee constituted 'State Specific Task Forces' for every state in the NER to deal with state specific issues. The recommendations of the Task Force constituted for Assam highlighted the need for branch expansion in the under banked districts of Assam; improving Credit Deposit Ratio (CDR) in the state by funding the major infrastructure projects through banks operating in Assam; strengthening Regional Rural Banks (RRBs) & Assam State Cooperative Apex bank. Besides, NABARD and SIDBI also prepared a plan of action for the State. SIDBI's action plan envisaged initiatives for NEDFi also (RBI, 2006). The committee pointed out poverty, ignorance and environmental issues as the main impediments[ix] for the low level of financial outreach in NER.

RBI's 100 percent financial inclusion drive[x] has also been started in Assam. The total number of bank branches in Assam has increased from 1320 in March 2006 to 1509 in March 2010 in a phased manner. Commercial banks are the sole contributor in the increase. However, the number of bank branches in Assam at end March 2010 is just 0.9 percent of total bank branches (169581[xi]) in India. The average population per branch in Assam at end-March 2011 is 20656[xii].

District wise data of the number of commercial banks functioning in Assam exhibits that Kamrup Metropolitan (159), Nagaon (92), Dibrugarh (87), Sonitpur (85) are having highest number of offices and relatively better levels of access to formal banking services mainly on account of spread of banking habits and a more robust infrastructure. On the other hand, districts like Chirang (14) , Dhemaji (18), Hailakandi and North Cachar Hills (19 each), Baksa and Kokrajhar (22 each), have relatively restricted access to banking services due to less number of bank offices (Table-2).

If we take into account the population per bank branch scenario in various districts of Assam, Kamrup Metropolitan (6684) has the lowest strata of population to be served by the bank branches followed by North Cachar Hills (9899) and Dibrugarh (13622). However, districts like Baksa (38607), Kokrajhar (38309) and Dhubri (35637) have very high population per bank branch. Further, in spite of having good number of bank offices, the population per bank branch in Sonitpur (19635) and Nagaon (25159) districts is still high in comparison to districts like Karbi Anglong (16266) which is having only 50 bank offices and Golaghat (18554) with 51 bank offices (Table-2). Since there is no correlation between number of bank offices and population per bank branch, hence we can infer that higher number of bank offices always does not lead to better banking outreach.

TABLE-2: DISTRICT AND POPULATION GROUP-WISE NUMBER OF BRANCHES OF COMMERCIAL BANKS FUNCTIONING IN ASSAM (MARCH 2009)

District	Population Group				Total Offices	District wise Total Population as per (2001 Census)*	District wise Population per Bank branch (Approx)*
	Rural	Semi-urban	Urban	Metro-politan			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (7)/(6)
1. Baksa*	22	-	-	-	22	849352	38607
2. Barpeta*	38	17	-	-	55	1408749	25614
3. Bongaigaon*	14	16	-	-	30	621136	20705
4. Cachar	48	-	32	-	80	1444921	18062
5. Chirang*	8	6	-	-	14	411058	29361
6. Darrang*	16	9	-	-	25	792614	31705
7. Dhemaji	13	5	-	-	18	571944	31775
8. Dhubri*	25	18	-	-	43	1532383	35637
9. Dibrugarh	37	20	30	-	87	1185072	13622
10. Goalpara	22	9	-	-	31	822035	26517
11. Golaghat	40	11	-	-	51	946279	18554
12. Hailakandi	12	7	-	-	19	542872	28572
13. Jorhat	31	42	-	-	73	999221	13688
14. Kamrup *	54	10	18	-	82	1308505	15957
15. Kamrup Metropolitan*	14	2	143	-	159	1062771	6684
16. Karbi Anglong	41	9	-	-	50	813311	16266
17. Karimganj	33	17	-	-	50	1007976	20160
18. Kokrajhar*	14	8	-	-	22	842805	38309
19. Lakhimpur	35	12	-	-	47	889010	18915
20. Morigaon	20	7	-	-	27	776256	28750
21. Nagaon	61	13	18	-	92	2314629	25159
22. Nalbari*	30	7	-	-	37	701133	18950
23. North Cachar Hills	4	-	-	15	19	188079	9899
24. Sibsagar	43	19	-	-	62	1051736	16963
25. Sonitpur*	53	32	-	-	85	1668998	19635
26. Tinsukia	33	14	29	-	76	1150062	15132
27. Udalguri*	18	7	-	-	25	752621	30105

Source: 1. RBI, 2009, Branch Banking Statistics, March 2009, Volume 4, p 85
2. Directorate of Census Operation, Assam available in Statistical Hand Book, 2008, Directorate of Economics and Statistics, Guwahati, Government of Assam p 2
* Provisional figure for population

On April 28, 2006, RBI advised the convener banks of the State Level/ Union Territory Level Bankers' Committees (SLBC/ UTLBC) to identify at least one appropriate district in each State/ Union Territory for attaining 100 percent financial inclusion. So far, 431 districts have been identified by SLBCs for 100 per cent financial inclusion in India out of which as on March 31, 2009, 204 districts in 18 States and 5 Union Territories have reported to attain the target (Chakrabarty, 2009).

The progress of the initiatives taken by the Committee on Financial Sector Plan for NER for identified districts shows an encouraging trend. In Assam, initially Sonitpur district was identified by the SLBC for 100 percent financial inclusion. Subsequently, 11 more districts were identified viz, Bongaigaon, Karbi Anglong, N C Hills, Chirang, Baska, Udalguri, Barpeta, Goalpara, Lakhimpur, Golaghat and Nagaon. Out of around 18.5 lakh households in the 11 identified districts, around 79 percent households are covered by opening of no-frill accounts, issue of GCC and KCC. However, the progress varies from district to district. Sonitpur and Barpeta have claimed to achieve 100 percent financial inclusion. Chirang, Udalguri, Lakhimpur and Golaghat districts have achieved 90 percent coverage. The coverage is lowest in Goalpara as only 53 percent households are covered through the financial inclusion drive (Table-4).

Reserve Bank in January 2006 advised the major banks having more than five branches in the NER to formulate a special Scheme for financial inclusion. These are the "no frills" accounts with small overdraft in such accounts and GCC up to Rs 25000 (RBI, 2006). These two important financial 'key' products are regarded as driver for promoting financial inclusion as there are no requirements of documents regarding ownership of assets to obtain either an overdraft or a GCC. Further, these products are simple and are essentially based on developing a relationship and building track record of the customer and providing hassle-free financial services (Thorat, 2006).

Highest numbers of no-frill accounts i.e. over 4 lakh have been opened in Nagaon district, highest number of GCC has been issued in Karbi Anglong and KCC in Barpeta district (Table-3).

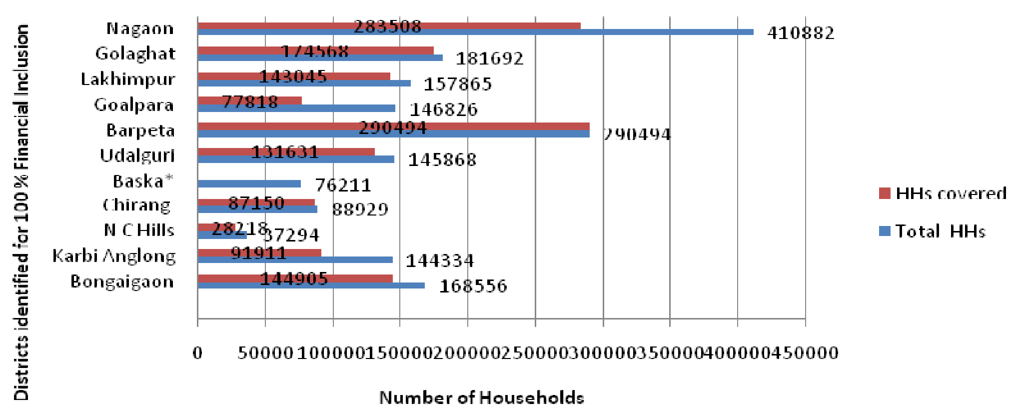
A more detailed analysis of statistics relating to identified districts reveals that Barpeta with 55 bank offices has achieved 100 percent financial inclusion by opening 21106 no-frills accounts, 689 GCCs and 26021 KCCs followed by Chirang with 14 bank offices achieving 98 percent financial inclusion by opening 84445 no-frills accounts and by issue of 2092 KCCs. However, Bongaigaon with 30 bank offices has opened over 1 lakh no-frills accounts and has issued 2419 KCCs but still lagging behind achieving 100 percent inclusion. The scenario is much more depressing in Karbi Anglong district (Table-3 &4).

TABLE-3: NUMBER OF NO-FRILLS A/CS OPENED & KCCS AND GCCS ISSUED UNDER FINANCIAL INCLUSION INITIATIVES IN IDENTIFIED DISTRICTS OF ASSAM: (AS ON MARCH 2010)

Sl No	Name of District	No. of no-frills a/cs opened	No. of GCC issued	No. of KCC issued
1	Bongaigaon	118935	-	2419
2	Karbi Anglong	44636	3200	7775
3	N C Hills	12162	126	4300
4	Chirang	84445	-	2092
5	Baska*			
6	Udalguri	82691	64	4216
7	Barpeta	21106	689	26021
8	Goalpara	32990	712	3465
9	Lakhimpur	76287	205	1931
10	Golaghat	58950	747	11548
11	Nagaon	210936	759	5876
Total		**743138**	**6502**	**69643**

* Data not submitted by district.
Source: SLBC report of March 2010

Chart-3: Number of Households covered by the financial inclusion products (i.e. NF a/cs, KCC & GCC) in identified districts of Assam (As on March 2010)



* Data not submitted by district;
Source: SLBC report of March 2010

TABLE-4: NUMBER OF HOUSEHOLDS COVERED BY THE FINANCIAL INCLUSION PRODUCTS (I.E. NF A/CS, KCC & GCC) IN IDENTIFIED DISTRICTS OF ASSAM (AS ON MARCH 2010)

Sl. No	Name of District	Number of Bank offices	Total HHs	HHs covered	% of HHs covered
1	Bongaigaon	30	168556	144905	86
2	Karbi Anglong	50	144334	91911	64
3	N C Hills	19	37294	28218	76
4	Chirang	14	88929	87150	98
5	Baska*	22	76211		
6	Udalguri	25	145868	131631	90
7	Barpeta	55	290494	290494	100
8	Goalpara	31	146826	77818	53
9	Lakhimpur	47	157865	143045	90
10	Golaghat	51	181692	174568	96
11	Nagaon	92	410882	283508	69
Total		**436**	**1848951**	**1453248**	**79**

* Data not submitted by district.
Source: SLBC report of March 2010

PRIORITY SECTOR LENDING IN ASSAM

The priority sector is one of the best-run credit delivery programme devised by the Government (through the RBI) to ensure adequate flow of bank credit to those sectors of the society/ economy that impact large segments of the population and weaker sections. The priority sector broadly comprises of agriculture, MSEs, retail trade, micro credit, education and housing subject to certain limits. India's directive priority sector lending policies has helped in imparting strength to the agricultural sector. The flow of institutional credit to agriculture sector was unharmed even during the global financial crisis. The agricultural debt waiver scheme of the Government has further strengthened the agriculture sector. Further, the Reserve Bank of India has directed both public and private sector domestic Scheduled Commercial Banks, which fails to achieve the priority sector and/or agriculture lending targets to deposit into the Rural Infrastructure Development Fund (RIDF) such amounts as may be assigned by RBI**.** As on the last reporting Friday of March 2010, although different categories of banks had achieved the overall target for priority sector lending, three out of 27 public sector banks, two out of 22 private sector banks and four out of 28 foreign banks failed to achieve the priority sector lending targets of 40 per cent and 32 per cent, respectively (RBI, 2008-09). The Raghuram Rajan Committee on Financial Sector Reforms had, inter alia, recommended introduction of "priority sector lending certificates (PSLCs)" to be purchased by the commercial banks which failed to achieve the priority sector lending target/sub-targets. A Working Group under the Chairmanship of Shri V.K. Sharma was constituted to evaluate the issues relating to the introduction of PSLCs and make recommendations if any (RBI, 2009-2010 a).

In Assam, the percentage of priority sector advances to total advances has grown from 43.3 percent in March 2006 to 54.1 percent in March 2010 and was highest in the year 2009 with 60.3 percent. All the banks including commercial banks, RRBs and co-operative banks have achieved the target of 40 percent advances to priority sector as prescribed by RBI. The data reveals that advances to priority sector by RRBs and co-operative banks is 77 percent and 72 percent respectively of their total advances as on end March 2010 (Table-5).

Recognizing the need of targeting the small and mid size agriculturist, self employed personnel, entrepreneur; not only as a measure of poverty alleviation but also as a measure of productivity/ efficiency building machinery to support the all round development of the region, on-lending to the "needy" for taking up productive activities was started by NEDFi with an objective of developing & supporting NGOs/ Voluntary Agencies (VA) possessing a good track record (www.nedfi.com). As revealed by SLBC reports (State Level Bankers Committee Report), 100 percent of the lending by NEDFi & RIDF[xiii] has been taken as Priority Sector Advances since 2007.

TABLE-5: PRIORITY SECTOR LENDING IN ASSAM AS ON 31ST MARCH (RS. IN CRORE)

Banks	2006		2007		2008		2009		2010	
	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances
Commercial	3499.63	40.8	4852.64	43.2	6524.60	47.2	8399.45	56.2	8563.50	48.5
RRBs	595.62	65.2	782.03	69.7	952.51	72.4	1122.59	74.3	1349.42	77
Co-operative	152.96	48.3	167.99	59.4	185.87	64.4	212.36	68.4	233.28	71.9
NEDFi & RIDF	-	-	346.04	100	659.27	100	971.11	100	1168.73	100
Total Priority sector lending	4248.21	43.3	6148.70	47.3	8322.25	51.8	10705.51	60.3	11314.93	54.1

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010 (Assam)
Note: 1. Figure in parentheses are percentages of the Priority sector advances to Total advances
2. The target for aggregate advances to the priority sector was 40.0 per cent of the net bank credit for domestic banks and 32.0 per cent of net bank credit for the foreign banks. The targets have been linked to ANBC or credit equivalent of OBE, whichever is higher, with effect from April 30, 2007 (RBI Annual Report 2008-2009, p213).
3. The domestic SCBs, which fail to achieve the priority sector/agriculture lending targets/sub-targets, are mandated to deposit into the RIDF such amounts as may be assigned by the Reserve Bank. The Fund has so far completed fifteen years of operation. The Union Budget for 2010-11 had announced that RIDF XVI (corpus of `16,000 crore), MSME (Refinance) Fund (corpus of `4,000 crore) and Rural Housing Fund (corpus of `2,000 crore) would be set with NABARD, SIDBI and NHB, respectively, during the year (RBI Annual Report 2009-10, p 90-91)

TABLE-6:TOTAL PRIORITY SECTOR ADVANCES (AMOUNT IN RUPEES CRORE)

Year	India	Assam
2006	3560234	4248
2007	4449025 (25)	6149 (44.8)
2008	824772 (-)81.5	8322 (35.3)
2009	965773 (17.1)	10706 (28.6)
2010	1140406 (18.1)	11315 (5.7)

Note: 1. Figure in bracket indicate percentage growth over previous year
2. In case of India, the priority sector advance includes the amount extended by Public Sector, Private sector and Foreign Banks
3. In case of Assam, the priority sector advance includes the amount extended by Commercial, RRBs, Co-operative Banks and NEDFi &*RIDF*
Source: India figure Compiled from RB Annual Reports of 2007-08, 2008-09 & 2009-10
Assam figures Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010

The trend of growth rate in terms of priority sector lending in India shows a negative trend in the year 2008 which can be attributed to government's Debt Waiver and Debt Relief Scheme[xiv] for farmers launched in 2008-09. However, trend of growth in Assam has also declined from 44.8 percent in 2007 to 5.7 percent in 2010 (Table-6).

FLOW OF BANK CREDIT IN ASSAM

Recognizing the importance of credit for greater financial inclusion, government directed banks to increase their lending to priority sector, agriculture and small and medium enterprises (SMEs). In Assam, the increasing trend can be observed in all the sectors. As per the RBI guidelines credit to priority sector should be 40 percent of total advances. In Assam, percentage of priority sector advances to total advances increased from around 43 percent in 2006 to around 54 percent in 2010 which shows that banks are successful in achieving the target set for domestic banks. The share of Agriculture sector in total advances has increased from 12.36 percent in 2006 to 18.5 percent in 2010 where as SMEs increased from around 7 percent to around 10 percent over the same period (Table-7).

TABLE-7: FLOW OF BANK CREDIT IN ASSAM

Sector	Position as on March (Rs. in crore)									
	2006	**% of Total Advances**	**2007**	**% of Total Advances**	**2008**	**% of Total Advances**	**2009**	**% of Total Advances**	**2010**	**% of Total Advances**
Priority Sector	4248	43.3	6149 (45)	47.34	8322 (35)	51.75	10706 (29)	60.31	11315 (6)	54.11
Agriculture	1213	12.36	1597 (32)	12.29	2159 (35)	13.42	2346 (9)	13.22	3868 (65)	18.50
SME	686	6.99	1018 (48)	7.84	1282 (26)	7.97	1460 (14)	8.23	2054 (41)	9.82
Others	3665	37.35	4226 (15)	32.53	4319 (2)	26.86	3239 (-25)	18.25	3674 (13)	17.57
Total Advances	**9812**	**100**	**12990 (32)**	**100**	**16082 (24)**	**100**	**17751 (10)**	**100**	**20911 (18)**	**100**

Note: Figures in parentheses indicate percentage increase over previous year.
Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010 (Assam)

POSITION OF DEPOSITS, ADVANCES, CREDIT DEPOSIT RATIO (CDR) IN ASSAM

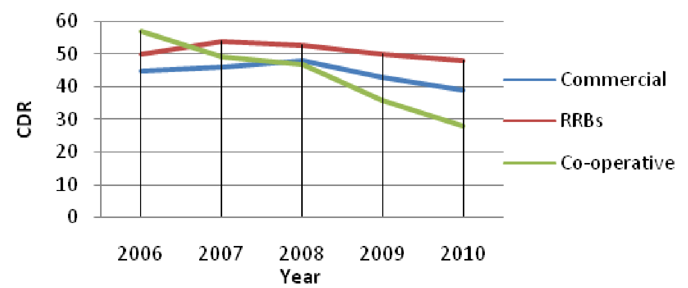
The credit-deposit ratio (CDR) is an important indicator of deployment of resources of the bank. Credit expansion should always commensurate with deposit growth as the gap in them may lead to increase in the real interest rates and excess demand for credit may further push the economy towards financial exclusion (Mohan, 2006).

Table-8: Credit Deposit Ratio in Assam (As on 31st March)

Banks	*2006*	*2007*	*2008*	*2009*	*2010*
Commercial	45	46	48	43	39
RRBs	50	54	53	50	48
Co-operative	57	49	47	36	28

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009& 2010 (Assam)

Chart-4: Credit Deposit Ratio in Assam (As on 31st March)



Source: SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)

It is imporatant to note that lower the CDR, lower the credit extension to the people. The banks in Assam has failed to attain the national CDR norm of 60 percent and commercial banks have never achieved even the CDR of 50 percent of over the five year study period (2006-2010) (Table-8 & Chart-4).

NO-FRILLS ACCOUNTS IN ASSAM

To achieve the objective of greater financial inclusion and to make banking services accessible to vast sections of society, RBI in the year 2005 advised all banks to make available a basic banking 'no-frills' account either with 'zero' or 'very low' minimum balances as well as charges. However, banks may limit the nature and number of transactions in such accounts and the same has to be disclosed to the customer in advance in a transparent manner. All banks are advised to create awareness regarding the availability of such 'no-frills' account (RBI, 2005). Accordingly, the banks in the region have been making available no-frills accounts facility and also implemented relaxed Know Your Customer (KYC) norms.

TABLE-9: NUMBER OF NO FRILLS ACCOUNTS IN ASSAM:

Bank	As on				
	31.6.2006	31.3.2007	31.3.2008	31.3.2009	31.3.2010
Commercial Banks	4105 (57.8)	40077 (62.2)	450886 (82.7)	642440 (61.7)	899078 (49.2)
RRBs	2794 (39.3)	24194 (37.5)	89370 (16.3)	371651 (35.7)	908331 (49.5)
Co-operative Bank	208 (2.9)	208 (0.3)	5098 (1)	26620 (2.6)	26620 (1.5)
Total	7107 (100)	64479 (100)	545354 (100)	1040711 (100)	1834029 (100)

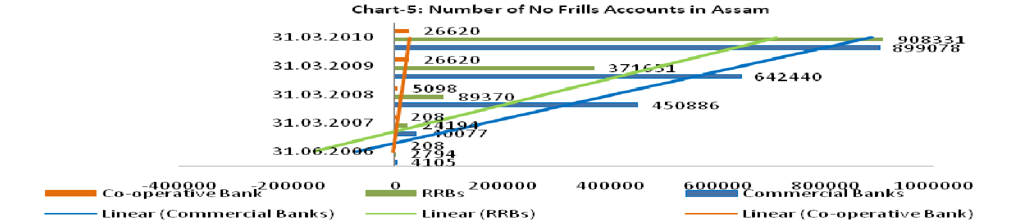
Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)
Notes: 1. Figures in parentheses indicate percentage to total.
2. No-Frill Accounts data available since quarter ending June 2006 only.

As per SLBC data the total number of no-frills accounts in Assam increased from 7107 in June 2006 to over 18 lakh by March 2010 registering a growth of around 260 times over the period of five years from 2006 to 2010 (Table-9). The national growth over the same period is around 100 times as the cumulative number of no-frills accounts opened by the banking system in India increased from around 5 lakhs at the end March 2006 (RBI, 2007-08) to above 5 crores (50.6 million) at the end of March 2010 (RBI, 2009-10 b).

In Assam, the share of commercial banks in opening no-frills accounts has declined since 2008 whereas the share of RRBs has increased over the same period and the cumulative number of no-frills accounts by RRBs (91 lakhs) in 2010 has even surpassed the cumulative number of no-frills accounts of the commercial banks (around 90 lakhs) . However, there is dismal performance of the co-operative banks as they have not taken any initiative in opening no-frills accounts in the year 2009-10 (Table-9 & Chart-5). In this regard, it is important to note that the Annual Policy Statement for 2010-11 recognized the need for better understanding of the functioning of grass root level rural co-operatives as a potential tool to play an important role in financial inclusion drive. These include primary agricultural credit societies (PACS), large adivasi multi-purpose co-operative societies (LAMPS), farmers' service societies (FSS), as also thrift and credit co-operatives set up under the parallel Self- Reliant Co-operative Societies Acts in some states. Hence, a detailed study of the working of selected (about 200) well functioning rural co-operatives across the country would be carried out by the RBI in association with NABARD and state governments. It aims at gaining a deeper understanding of these bodies with reference to their membership profile, management structure, range of services offered, savings mobilized from members/non- members, percentage of non-borrower members, credit extended to tenant farmers, oral lessees, agricultural labourers and women, for availing the benefits of their strength and use their potentiality as effective channel of financial inclusion. The work of identification of rural co-operatives for the study has already been initiated (RBI, 2009-10 a).

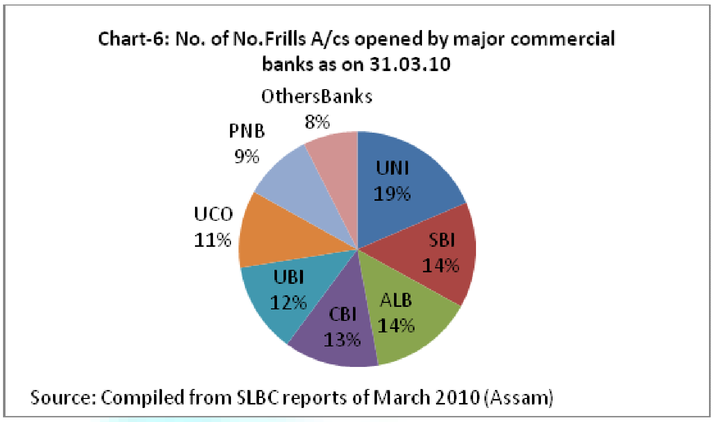
Usage is equally important to access and hence, there is need to take appropriate measures by the banking system to keep these accounts operational. In this regard, banks have been advised to provide small overdrafts in such accounts for preventing these accounts to become dormant and up to March 2010, in India 27.54 crore were extended as overdrafts by banks in such accounts (RBI 2009-10 b). Further, in the rural and semi urban areas the banks initiated pilot projects by tailoring simple deposit and credit products to suit their specific needs. Further, banks have appointed various NGOs as BC/ BF which are engaged in opening no-frills accounts of the members of SHGs to extend credit facilities through these accounts, there by contributing towards increasing the outreach of banking system.

Chart-5: Number of No Frills Accounts in Assam



Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)

TABLE-10: OPENING OF NO-FRILLS ACCOUNTS BY MAJOR COMMERCIAL BANKS IN ASSAM (AS ON 31.03.10)		
Sl. No.	Name of the Bank	Number
1	Union Bank of India (UNI)	166800
2	State Bank of India (SBI)	129902
3	Allhabad Bank (ALB)	127074
4	Central Bank of India (CBI)	117131
5	United Bank of India (UBI)	111208
6	UCO Bank (UCO)	94918
7	Punjab National Bank (PNB)	84886
8	Other Commercial Banks	67159
Total	**All Commercial Banks**	899078
Source: Compiled from SLBC reports of March 2010 (Assam)		



In order to achieve desired aim of financial inclusion the banks in India like State Bank of India (SBI), Punjab National Bank (PNB), Syndicate Bank, United Bank of India, Central Bank of India, Dena Bank and Vijaya Bank has introduced its own customized no-frills accounts under the guidelines of RBI by the name of 'SBI Tiny', 'PNB Mitra', 'SyndSamanya Savings Bank Account', 'United Basic Savings', 'Cent Bachat Khata', 'Dena Alpa Bachat Khata' and 'Vijaya Saral Savings Account' respectively. Out of different commercial banks operating in the north-eastern region, in Assam Union Bank of India has opened highest number of no-frill accounts, followed by, State Bank of India, Allhabad Bank, Central Bank of India, United Bank of India, UCO Bank and Punjab National Bank (Table-10 & Chart-6)).

KISAN CREDIT CARDS (KCCs) IN ASSAM

KCC[xv] scheme was introduced in the year 1998 to enhance the credit flow for crop loans by providing adequate, timely, and cost effective and hassle free short-term loans to farmers. The scope of KCC was broadened by NABARD to cater to various term credit needs of farmers. In addition to short term credit and term loans for agriculture and allied activities, a certain component of loan through KCC also covers consumption needs. The scheme is implemented across India by all public sector commercial banks, RRBs and Co-operative banks (NABARD, 2008-09).

The statistics relating to number of KCCs issued in NER shows that Assam (568000) is leading in terms of issuance of KCCs as at end March 2010 followed by Tripura (121000). In Assam, as at end March 2010 commercial banks issued highest numbers of cards (399) followed by RRBs (154) and co-operatives (14) However, the performance of other NER states in regard to issue of KCCs is not that satisfactory (Table-11).

TABLE-11: KISAN CREDIT CARD--STATE-WISE PROGRESS AS ON 31 MARCH 2010 (AMOUNT IN RS. CRORE AND NUMBER OF CARDS ISSUED IN '000)

State	Co-operative Banks		Regional Rural Banks		Commercial Banks		Total	
	Cards Issued	*Amount* Sanctioned	*Cards Issued*	*Amount* Sanctioned	*Cards Issued*	*Amount* Sanctioned	*Cards Issued*	*Amount* Sanctioned
Arunachal Pradesh #	1	1	3	5	19	42	23	48
Assam	14	18	154	513	399	795	568	1326
Manipur #	14	34	2	3	28	76	44	113
Meghalaya #	11	15	22	40	46	120	79	174
Mizoram #	2	1	9	56	15	34	26	92
Nagaland #	3	2	2	4	23	44	28	49
Sikkim #$	3	8	-	-	8	32	11	40
Tripura #	4	6	53	94	64	147	121	248
Total NER	52	85	245	715	602	1290	900	2090
Total India	37,888	1,40,594	13,421	53,964	42,364	2,33,190	93,673	4,27,748

Notes: '-': Nil/Negligible; # StCB functions as Central Financing Agencies; $ No RRBs in the States; ** Data under reconciliation.
Source : *Report on Trend and Progress of Banking In India 2009-10*, RBI, p 197; NABARD

The total number of cards issued over a period of five years from 2006 to 2010 in India stands at 4.26 Crore (RBI, 2009-10b) and the cards issued in Assam is 22.31 lakhs (Table-12). The trend of growth has been fluctuating in case of India and even the number of cards issued registered a negative growth in India in the year 2008 by 0.5 percent over the previous year, the number of KCCs issued in Assam registered a positive growth by 17.3 percent in the same year. This shows that the Agricultural Debt waiver scheme of the government didn't impacted Assam figures like the national figure.

TABLE-12: NUMBER OF KISAN CREDIT CARDS (KCCS) ISSUED BY COMMERCIAL, RRBS & CO-OPERATIVE BANKS

Year (as on March 31)	India	Assam
2006	8012251	339750
2007	8511478 (6.2)	359395 (5.8)
2008	8469602 (-)0.5	421555 (17.3)
2009	8592473 (1.5)	480393 (14)
2010	9006123 (4.8)	630070 (31.2)
Total	42591927	2231163

Note: Figure in bracket indicate percentage growth/ decline over previous year
Source: 1. Compiled from SLBC reports ending March 2006, 2007, 2008, 2009 & 2010 (Assam)
2. RBI, 2009-10, Report on Trend and Progress of Banking in India 2009-10,p134

With the objective to serve the masses at the bottom of the pyramid, different banks have resorted to KCCs by different names under the aegis of RBI. SBI introduced ATM linked KCC i.e. 'e-KCC' in Assam for farmers benefit. United Bank of India has issued 'United Kisan Card' scheme for making available hassle free credit to the farmers with simple terms and conditions for meeting the production and investment credit needs of farmers and 'United Bhumiheen Kisan Credit Card' scheme to provide production credits to landless farmers and oral lessees, tenant farmers, bargadar, etc, up to Rs. 25000. Further, Syndicate bank has issued 'Syndicate Kisan Credit Card'. Some other KCCs from leading banks are: Allahabad Bank - Kisan Credit Card (KCC); Andhra Bank - AB Kisan Green Card;

Bank of Baroda – BKCC; Bank of India - Kisan ; Samadhan Card; Canara Bank – KCC; Corporation Bank – KCC; Dena Bank – Kisan Gold Credit Card; Oriental Bank of Commerce -Oriental Green Card (OGC); Punjab National bank - PNB Krishi Card; State Bank of Hyderabad –KCC; State Bank of India –KCC; Vijaya Bank -Vijaya Kisan Card (www.indg.in).

GENERAL CREDIT CARDS (GCCS) IN ASSAM

To take care of the financial needs of the rural folks in a holistic manner, RBI directed all scheduled commercial banks including RRBs, to launch a General Credit Card (GCC) Scheme akin to Kisan Credit Card in December 2005 (RBI, 2007-08)[xvi]. Accordingly, 59828 GCCs were issued in Assam as on March 31st 2010. These cards were issued without targeting any specific functional group (like farmers, artisans etc.) to address the credit needs of persons with small means having some income-generating activity, based on the assessment of income and cash flow of the household. RRBs have issued largest number of GCCs over a period of five years from March 2006 to March 2010 (Table-13). The borrowers can avail of the credit facilities provided under GCC as per their needs without any insistence either on security or specification of the purpose/end-use of the credit (www.cab.org.in).

TABLE-13: GENERAL CREDIT CARD (GCC): AGENCY-WISE AND YEAR-WISE PROGRESS

Banks	Cumulative position as on				
	31.06. 2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
	Cards	Cards	Cards	Cards	Cards
Commercial Banks	72 (7.2)	731 (18.7)	8705 (35.2)	12455 (31)	21125 (35.3)
RRBs	926 (92.8)	3172 (81.3)	14428 (58.4)	27700 (69)	38703 (64.7)
Total	998 (100)	3903 (100)	24717 (100)	40155 (100)	59828 (100)

Source: Compiled from SLBC reports of June 2006, March 2007, March 2008, March 2009& March 2010 (Assam)
Note: 1. GCC data available since quarter ending June 2006 only.
2. Figures in parenthesis indicate percentage to total.

SELF- HELP GROUPS (SHGS) IN ASSAM

Self Help Groups (SHGs) - bank linkage Programme (SBLP) was developed in India by NABARD in 1992 as the central scheme to link the poor with formal financial system in line with the Grameen model in Bangladesh. The scheme was to form SHGs[xvii] of the poor and disadvantaged and to encourage them to pool their savings regularly and utilize the same to make small interest bearing loans to members and in the itinerary learning the significance of financial discipline. Bank credit was extended to these SHGs. The promotion and bank linking of SHGs was viewed by NABARD not only as a credit programme but also as a crucial tool to provide financial services to the poor and disadvantaged on a sustainable basis for empowerment of the members of these SHGs (Kropp, Suran, 2002). This programme is also the main contributor towards the Financial Inclusion programme in the country. As on 31 March 2010, there are more than 69 lakh saving-linked SHGs and more than 48 lakh SHGs have loans outstanding in India and around 9.7 crore families are covered under the SHGs bank linkage programme upto 31 March 2010 (NABARD, 2009-10). However, if we consider linkage data for Assam, around 2.1 lakh SHGs were deposit-linked and around 1.6 lakh SHGs was credit linked and as on 31st March 2010. In India, agency-wise analysis of data reveals that commercial banks accounted for highest percentage of both savings and loans outstanding followed by RRBs and Co-operative banks respectively. But in Assam the RRBs account for the highest number and amount of both deposit and credit linkages followed by Commercial banks and Co-operative banks (Table-14).

TABLE-14: POSITION OF BANKS FINANCING UNDER SELF-HELP GROUPS IN ASSAM: AGENCY-WISE &YEAR-WISE (SHGS)

Banks	Cumulative Position	(As on 31 March 2010)				(Rs. in Crore)		
	Deposit linkages		*Credit linkages*					
	No.	Amount	Under SGSY		Direct SHGs		Total	
			No.	Amount	No.	Amount	No.	Amount
Commercial Banks	74034	54.58	38710	316.93	26290	182.78	65000	499.71
RRBs	118835	25.43	39366	197.04	49748	88.32	89114	285.36
Co-operative Bank	18021	11.23	6602	37.64	3139	13.30	9741	50.94
Total	210890	91.24	84678	551.61	79177	284.40	163855	836.01

Source: SLBC reports of March 2006, 2007, 2008, 2009&2010 (Assam)

The number of SHGs financed in Assam has registered around 74 percent increase from 94352 in March 2006 to 163855 in March 2010. The credit extended has increased by around 54 percent from around Rs. 383.92 crore to Rs. 836.01 crore during the same period (Table-15).

TABLE-15: FINANCING OF SELF-HELP GROUPS IN ASSAM (CREDIT LINKAGE)

Banks	Cumulative Position as on								(Rs. In crore)	
	31.03.2006		31.03.2007		31.03.2008		31.03.2009		31.03.2010	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Commercial Banks	46566	273.39	57397	397.75	66727	453.73	58206	443.79	65000	499.71
RRBs	46486	106.55	46950	121.70	58172	161.89	71802	219.38	89114	285.36
Co-operative Bank	1300	3.99	5081	8.34	6002	15.40	8384	35.63	9741	50.94
Total	94352	383.92	109428	527.79	130901	631.02	138392	698.80	163855	836.01

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)

BUSINESS CORRESPONDENTS (BCs) AND BUSINESS FACILITATORS (BFs)

As an endeavor of ensuring greater financial inclusion and increasing the banking outreach, RBI issued guidelines in January 2006[xviii] to banks to enable them to utilize the services of civil society organizations, farmers' clubs, non-government organizations (NGOs), post offices etc. as intermediaries in extending financial and banking services through the adoption of Business Facilitator and Correspondent models. Further, in November 2009, RBI issued circular[xix] broadening the category of persons that can act as BCs as recommended by the "Report of the Working Group to Review the Business Correspondent Model" (submitted in August, 2009 under the chairmanship P. Vijaya Bhaskar). Banks are now permitted to appoint some more entities such as Individual kirana/medical /fair price shop owners, Individual Public Call Office (PCO) operators, Agents of Small Savings schemes of Government of India/Insurance Companies, Individuals who own Petrol Pumps, Retired teachers and authorized functionaries of well run Self Help Groups (SHGs) linked to banks as BCs in addition to the entities presently permitted. As regards the NER, it has been decided to implement the recommendation made by the Committee on Financial Sector Plan (CFSP) for the NER that where a local organization/association does not fall under any of the forms of organizations listed in the Reserve Bank guidelines, it is proposed to be appointed by a bank as BC after due diligence and the same would be considered by the Regional Office of the Reserve Bank for granting suitable exemption from the

Reserve Bank guidelines by approaching the Regional Director of the Reserve Bank at Guwahati for the purpose. Banks (and not BCs) are permitted to collect reasonable service charges from the customer, in a transparent manner ensuring the viability of the BC model.

In India, the total BCs appointed by public sector banks and private sector banks is 85 and 44 respectively. The total accounts opened by these BCs are around 80 lakhs in public sector and around 8 lakhs in private sector. Despite being a private sector bank ICICI Bank Ltd (38) has appointed highest number of BCs in India among both public and private sector banks, followed by State Bank of India (24) and Punjab National Bank (14). Amongst the banks (both public and private) Punjab National Bank has opened highest number of accounts through appointment of BCs (around 2.7 lakhs) followed by State Bank of India (around 2.6 lakhs) and Union Bank (around 1.7). Amongst the 22 private sector banks, ICICI Bank Ltd (1.4 lakh) has opened highest number of accounts through BCs (RBI, 2009c) (Table-16).

TABLE-16: DETAILS REGARDING NUMBER OF BCS APPOINTED AND ACCOUNTS OPENED BY BANKS

Sr. No.	**Banks**	No. of BCs appointed	No.of accounts opened
1	2	3	4
PUBLIC SECTOR BANKS			
1	ALLAHABAD BANK	NIL	NIL
2	ANDHRA BANK	3	405000
3	BANK OF BARODA	3	33827
4	BANK OF INDIA	10	71000
5	BANK OF MAHARASHTRA	NR	NR
6	CANARA BANK	1	1603
7	CENTRAL BANK	1	1210
8	CORPN BANK	3	456655
9	DENA BANK	1	14146
10	INDIAN BANK	2	23000
11	I O B	3	1131
12	O B C	3	21433
13	P N B	14	2704345
14	P & S BANK	NIL	NIL
15	S B I	24	2574139
16	S B B J	NIL	NIL
17	S B HYD	1	16057
18	S B INDORE	1	61632
19	S B MYSORE	2	2159
20	S B PATIALA	1	1140
21	S B SAURASHTRA	NIL	NIL
22	S B TRAVANCORE	1	699
23	SYNDICATE BK	5	695
24	UNION BANK	3	1654464
25	UNITED BANK	1	998
26	UCO BANK	1	1048
27	VIJAYA BANK	1	626
	Total	85	8047007
PRIVATE SECTOR BANKS			
1	Bank of Rajasthan Ltd	NIL	NIL
2	Catholic Syrian Bank Ltd	NR	NR
3	City Union Bank Ltd	NR	NR
4	Development Credit Bank Ltd	NR	NR
5	Dhanalakshmi Bank Ltd	NR	NR
6	The Federal Bank Ltd	2	68
7	Yes Bank Ltd	NIL	NIL
8	HDFC Bank Ltd	NR	NR
9	ICICI Bank Ltd	38	136659
10	IndusInd Bank Ltd	NR	NR
11	ING Vysya Bank Ltd	NIL	NIL
12	Jammu & Kashmir Bank Ltd	NR	NR
13	Karnataka Bank Ltd	NIL	NIL
14	Karur Vysya Bank Ltd	NIL	NIL
15	Kotak Mahindra Bank Ltd	NR	NR
16	Lakshmi Vilas Bank Ltd	NIL	NIL
17	Nainital Bank Ltd	1	532
18	Ratnakar Bank Ltd	NR	NR
19	SBI Comm. & Inter. Bank Ltd	NIL	NIL
20	The South Indian Bank Ltd	NIL	NIL
21	Tamilnad Mercantile Bank Ltd	NIL	NIL
22	Axis Bank Ltd	3	67600
	Total	44	813259

Note: NR-Not reported,Source: RBI, 2009, Report of The Working Group To Review The Business Correspondent Model , August

NABARD in its effort towards greater financial inclusion encourages banks to promote Farmers' Clubs in rural areas under the Farmers' Club Programme earlier known as "Vikas Volunteer Vahini (VVV) Programme" launched in November 1982 (rechristened as "Farmers' Club Programme" in 2005) aiming at "Development through Credit". It is based on the five principles which are efficient use of credit by adopting the most appropriate methods of science and technology; adoption of best skills to increase production and productivity; the terms and conditions of credit must be fully respected; and a part of the additional income created by credit must be saved; and loan installments must be repaid timely and regularly so as to recycle credit (www.nabard.org). In India as on 31st March 2010, Farmers Clubs formed 14858 SHGs out of which 7986 SHGs were bank linked and grant assistance extended to these SHGs by NABARD was 61.96 lakhs (NABARD, 2010). SLBC data for Assam reveals that as on 31st March 2009, there were 611 farmer's clubs working in state playing a significant role in formation of SHGs/ JLGs and as BC/ BF and coordinating with banks to ensure credit flow among its members and forge better bank borrower relationship (Table-17). The Lead Bank in Assam urges that ideally each branch should promote at least one farmers club for better credit disbursement and credit management.

TABLE-17: AGENCY-WISE POSITION OF FARMER'S CLUB IN ASSAM (AS ON 31ST MARCH, 2009)

Sl. No.	Agency	No. of clubs	No. of rural and semi urban branches
1.	Assam Cooperative Apex Bank	10	39
2.	RRBs		
	a) AGVB	410	343
	b) LDRB	16	42
3.	Commercial Banks	175	741
	Total	611	1165

Source: Compiled from SLBC reports of March 2010 (Assam)

Asomi Finance Pvt. Ltd (AFPL) an NBFC has been appointed as Business Correspondent and Business Facilitator by various commercial banks in Assam. For UCO Bank, United Bank of India AFPL is acting as recovery agent for the old NPA (Non Performing Assets).

The Union Budget for 2009-10 stated that the SLBCs will identify the under-banked or unbanked areas in their respective States/ UTs and devise an action plan for extending banking facilities to all these areas within the next three years. The Budget proposed to set aside a one-time grant-in-aid of Rs.100 crore to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks in the country (RBI, 2009a). Accordingly the SLBC, Assam has identified 2260 number of villages having population of over 2000 but unbanked (SLBC report of March 2010) and SBI, UBI, PNB, AGVB, Langpi Dehangi Rural Bank (LDRB) has proposed an action plan to provide banking facility through BC mode, in the unbanked village allotted to them.

TABLE-18: BUSINESS CORRESPONDENT INITIATIVES BY DIFFERENT BANKS IN ASSAM

Bank	Details of BC/ BF initiatives by various banks in Assam
Union Bank of India (UBI)	UBI has identified 51 unbanked villages with population more than 2000 in Assam and the selected mode of banking in most of the selected villages mainly BC.
Central Bank of India (CBI)	1. CBI has identified 193 villages in 19 districts of Assam with population of more than 2000. 2. CBI is going to recruit retired officers on contractual basis for monitoring the activities of BCs & impart training to field functionaries in the area of Financial Inclusion in 2010- 11.
State Bank of India (SBI)	State Bank of India (the lead bank of Assam) North-East circle has initiated a programme of appointing 3,000 customer service points (CSP) of business correspondents (BC) across the rural and semi urban centers in Assam. The BCs will operate through the use of various technologies such as smart card-based SBI 'Tiny Card' accounts; internet-based KIOSK banking and SMS based mobile technology[xx] for increasing the bank's outreach to those deprived of banking facilities and plans to introduce bio-metric enabled rural ATMs for enhancing the outreach in the rural areas in the state (SBI, 2009). In addition, Drishtee Foundation, a prominent all India based NGO, has been appointed as BC by SBI in the state. SBI has appointed 17 BCs in Barpeta (2), Bongaigaon (3), Goalpara (4), Kokrajhar (7) and Nalbari (1) districts of Assam
Assam Gramin Vikash Bank (AGVB)	458 Farmers Clubs as BF and only 1 NBFC (Asomi) as BC. Pilot project has been launched in Morigaon district with NABARD where some farmers clubs are appointed as BF after 100 hrs training. Then they can function as Recovery Agents also. 1016 cards have been issued covering two districts namely Bongaigaon (Boitamari village) and Jorhat (Nagabara village) districts through BC through a WORLD BANK funded project and the implementing agency is "Source Trace".
Punjab National Bank (PNB)	PNB has appointed THE KABONGRAM ASA KASHANG SHANG SOCIAL UPLIFTMENT SOCIETY THANGKHAL AVENUE (IMPHAL-795001) as its BC and its area of operation (circle Office/ State) is Guwahati (North-East)

Source: 1. http://www.unionbankofindia.co.in, https://www.centralbankofindia.co.in, http://www.business-standard.com, http://www.sbi.co.in/user.htm
2. Primary data collected through structured formal interviews with Assam Gramin Vikash Bank (Head office, Bhangagarh, Guwahati) and State Bank of India (Local Head Office, Dispur) bank officials

KEY FINDINGS

1) Out of total 171 commercial banks operating in India, 36 banks are having presence in Assam and out of 79735 bank branches in India, 1377 are operating in Assam and both these are an indicator of penetration of banking industry in the state. In this regard, as compared to other NER states, Assam is having the key position (Table-1).
2) The population per bank branch statistic is gloomy in Assam (22000) and considerably high with the national average of 15000 as on March 2009. In other NER states like Manipur (33000) and Nagaland (26000), the scenario is even depressing. But smaller states like Sikkim (8000) and Tripura (17000) has a better population per bank branch scenario (Table-1).
3) District wise data exhibits that commercial banks have good number of offices leading to relatively better levels of access to formal banking services in Kamrup Metropolitan, Nagaon , Dibrugarh, Sonitpur mainly on account of spread of banking habits and a more robust infrastructure. However, some districts like Chirang , Dhemaji, Hailakandi and North Cachar Hills, Baksa and Kokrajhar, have relatively restricted access to banking services due to less number of bank offices (Table-2).
4) Out of around 18.5 lakh households in the 11 districts identified for achieving 100 percent financial inclusion, around 79 percent households are covered by opening of no-frill accounts, issue of GCC and KCC. However, the progress varies from district to district. Sonitpur and Barpeta have claimed to achieve 100 percent financial inclusion in line with their predecessor Sonitpur district. Further, Chirang, Udalguri, Lakhimpur and Golaghat districts have claimed to achieve 90 percent coverage and Goalpara stands at last position as only 53 percent households are covered through the financial inclusion drive (Table-4). Data relating to financial inclusion initiatives reveals that highest number of no-frill accounts have been opened in Nagaon district, highest number of GCC has been issued in Karbi Anglong and KCC in Barpeta district (Table-3).
5) The percentage of priority sector advances to total advances in Assam has grown from 43.3 percent in March 2006 to 54.1 percent in March 2010 and the banks including commercial banks, RRBs and co-operative banks have successfully exceeded the target of '40 percent of total advances to priority sector' as prescribed by RBI (Table-5). Since 2007, 100 percent of the lending by NEDFi & RIDF has been taken as Priority Sector Advances in Assam. Due to government's Debt Waiver and Debt Relief Scheme for farmers launched in 2008-09, the priority sector lending in India declined in the year 2008 whereas it continued to grow in case of Assam with a declining growth rate (Table-6).
6) RBI has set CDR norm of 60 percent for all banks in India and the commercial banks in Assam has failed to attain even the 50 percent CDR over the period of five years under study (2006-2010) (Table-8 & Chart-4).
7) The banks in Assam have been making available no-frills accounts facility and also implemented relaxed Know Your Customer (KYC) norms as per RBI directives for achieving greater financial inclusion. Assam registering a growth of around 260 times in no-frills accounts (as per SLBC statistics) as against the national growth of around 100 times over the period of five years from 2006 to 2010. Till March 28, 2010, RRBs have issued highest number of no-frills

accounts in Assam followed by Commercial banks. Whereas the contribution of Co-operatives is relatively very small in this regard (Table-9 & Chart-5). Union Bank of India has opened highest number of no-frill accounts in Assam (Table-10 & Chart-6).

8) In NER, highest number of KCCs has been issued in Assam followed by Tripura and commercial banks being the biggest supplier followed by RRBs as at end March 2010. However, other NER states are lagging behind and performance of co-operatives is also not satisfactory in issue of KCCs (Table-11). Comparative trend analysis of growth issue of KCCs in India and Assam, over a period of five years from 2006 to 2010 reveals that it has been fluctuating in case of India and even the number of cards issued registered a negative growth in India in the year 2008 by 0.5 percent over the previous year. However, the number of KCCs issued in Assam registered a positive growth by 17.3 percent in the same year. This shows that the Agricultural Debt waiver scheme of the government had relatively less impact in Assam (Table-12)
9) The number of GCC issued has increased in Assam by around 60 times in the period of study (from 2006-10) and this increase is attributed to Commercial Banks and RRBs. RRBs have issued largest number of GCCs i.e. around 65 percent of total cards issued in Assam as on March 2010 (Table-13).
10) In Assam, around 2.1 lakh SHGs were deposit-linked and around 1.6 lakh SHGs were credit linked as at end March 2010 (Table-14) which is only around 3 percent of total SHGs linkage in India as there are more than 69 lakh saving-linked SHGs and more than 48 lakh SHGs have loans outstanding in India as at end March 2010 . RRBs account for highest number and amount of both deposit and credit linkages of SHGs followed by Commercial banks and Co-operative banks. The number of SHGs financed in Assam has registered around 74 percent increase and the credit extended around 54 percent over the period of five years under study (Table-15).
11) NABARD encouraged banks to promote Farmers' Clubs in rural areas for greater financial inclusion. Accordingly, in Assam as on March 2009, 611 farmer’s clubs are working and playing a significant role in formation of SHGs/ JLGs and as BC/ BF. Further, they coordinate with banks to ensure regular credit flow among its members and forging better bank borrower relationship (Table-16). The Lead Bank in Assam has urged that ideally each branch should promote at least one farmers club for better credit disbursement and credit management. In India as on 31st March 2010, Farmers Clubs formed 14858 SHGs out of which 7986 SHGs were bank linked and grant assistance extended to these SHGs by NABARD was 61.96 lakhs (NABARD, 2010).
12) SLBC in Assam has identified 2260 number of villages which are having population of over 2000 but still unbanked for extending banking facility as per the guidelines in the Union Budget for 2009-10.
13) Both public and private sector banks have taken initiatives in appointing BCs in India. Various banks in Assam have taken different BC and BF initiatives. Technological initiatives have been undertaken by SBI as it has initiated a programme of appointing 3,000 customer service points (CSP) of BC across the rural and semi urban centers in Assam and these BCs will operate through the use of various technologies such as smart card-based SBI 'Tiny Card' accounts; internet-based KIOSK banking and SMS based mobile technology for increasing the bank's outreach to those deprived of banking facilities and plans to introduce bio-metric enabled rural ATMs for enhancing the outreach in the rural areas in the state (SBI, 2009). Further, Drishtee Foundation, a prominent all India based NGO, has been appointed as BC by SBI in the state (http://www.business-standard.com). Asomi Finance Pvt. Ltd (AFPL) an NBFC has been appointed as BC and BF by various commercial banks. AGVB has appointed 458 Farmers Clubs as BF.
14) Huge expertise gap has been observed. Further mobile banking initiatives have still not taken place and the financial literacy which is the need of the hour is still in its budding stage.

CONCLUSION AND RECOMMENDATIONS

Financial Inclusion has considerably improved in Assam during last half a decade. Assam is having presence of highest number of commercial bank branches in entire NER. Banks have successfully exceeded the national norm of ‘40 percent of total advances to priority sector’. However, they have failed to achieve the target CDR of 60 percent. Enormous growth has been witnessed in opening no-frills accounts, issue of KCCs and GCCs. Further, the deposit and credit linkages of SHGs have also increased significantly and Farmers clubs are discharging vital role in formation of SHGs in Assam. For greater financial inclusion, various banks operating in Assam have also started appointing BCs and BFs in unbanked areas. Thus, the supply side is claiming financial inclusion to be satisfactory. However, huge expertise gap has been observed. Further, it is important to look at the demand side performance as access does not always lead to usage (Ramji, 2009). Considering the performance of the financial inclusion initiatives in Assam we have to agree to the fact that merely multiplied number of no-frills accounts, issue of KCCs and GCCs is not a criterion of financial inclusion. To what extent the financial facilities are being used by the beneficiaries is of more importance to judge the efficiency of the financial inclusion drive. Hence, there is a requirement for undertaking primary level research to substantiate the claim of the supply side players as successful financial inclusion initiatives.

Considering the difficult terrain and scattered inhibition pattern in certain districts of Assam, it is very timely to collaborate with the technological partners to make financial inclusion easier. In this case if required specific model has to be evolved to meet the expertise gap that is quite visible at present.

While addressing the issue of financial inclusion, other factors also play a key role in the market. This is because efficiency, innovation and cost-effectiveness are the key to serve the financial needs of the poor. The Planning Commission of India in its recent report on financial reforms has come out with suggestions in several fronts – organizational structure facilitating financial inclusion; focus on risk management, subsidies and public goods, use of technology, improving infrastructure and financial literacy (Rajan, Raghuram, 2009).

For financial inclusion the availability of products and services is not enough, easy accessibility and regular usage is important. Effective mechanism should be developed to bring the marginalized section of society into formal financial system. Local financial institutions have a better understanding of the needs of the common people and suitable financial products and services may be developed to serve the poor. Financial inclusion needs substantial efforts in-understanding the requirements of the poor, counseling, financial literacy, screening and monitoring. For this, simple procedures and practices based on local needs should substitute highly standardized and automated processes adopted by banks (Bernanke, 2006). The Sub-Committee under the chairmanship of Malegam recommended creation of a separate category of NBFC operating in the Microfinance sector (NBFC-MFI[xxi]). A fair and adequate regulation of NBFCs will encourage the growth of microfinance sector and will contribute towards greater financial inclusion in the country (RBI, 2011).

There is a great prospect of formation of Farmers Clubs in the state by banks. Further, a large number of farmers need to be brought in KCCs fold. The usage of the key products needs to be examined as access without usage is of little use in achieving the goal of financial inclusion, as mere access will be temporary inclusion, which will term into exclusion in the long run. Further, the drive for financial literacy should be given more impetus. The Malegam committee recommendations should also be given due consideration while formulating policy decisions for enhancing financial inclusion through microfinance.

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ENDNOTES

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[i] The financially excluded sections largely comprise of small vendors, marginal farmers, landless laborers, people engaged in self employment and unorganized sectors, urban slum inhabitants, migrants, tribal minorities, socially excluded groups, senior citizens, physically challenged people and women. Financial exclusion is a multi-dimensional problem, which both the developed and developing countries endeavor to overcome. The reasons being low income, lack of identity proof, illiteracy, distance from bank branches, lack of banking habits, high transaction costs, lack of banking knowledge or insufficient knowledge on banking products[i] and attitude of bankers.
[ii] Unique needs means that the financial products and services should be within the reach of the poor. It should be reasonably priced. It should match the small and frequent needs and requirements of the poor.
[iii] For details see Report on Trend and Progress of Banking in India 2009-10, p 93
[iv] Simplification of 'Know Your Customer' Norms: RBI has simplified the 'know your customer\' (KYC) norms for minimizing the procedural hassles involved in opening a bank account. This is to enable those belonging to low-income groups to open bank accounts without documents of identity and proof of residence. In such cases, banks can take the individual's introduction from an existing account holder on whom the full KYC procedure has been completed and has had satisfactory transactions with the bank for at least six months. The photograph and address of the prospective account holder need to be certified by the person who introduces him/her. These simplified KYC norms are applicable for those who intend to keep balances not exceeding Rs 50,000 in all their accounts taken together. The total credit in all the accounts taken together should not exceed Rs 1 lakh in a year. Source: http://www.apnaloan.com/home-loan-india/financial-inclusion.html viewed as on 20th March 2011.
[v] Linking of the financial inclusion drive with social security schemes (such as National Rural Employment Guarantee Programme (NREGA) will facilitate governments to make payment of wages into the bank accounts of beneficiaries through the 'Electric Benefit Transfer' (EBT) method. This will minimize transaction costs including leakages. In parts of the country where such EBT has already taken off, the results are impressive and the experience of both payers and recipients extremely satisfying.
[vi] Financial access is higher than the National average (48.6 percent) for the Southern Region (72.7 percent), Western Region (53.8 percent) and Northern Region (51.4 percent) and inclusion is lower in case of Eastern Region (39.9 percent) and Central Region (41.7 percent) than the modest National average of 48.6 percent.
Source: Karmakar and Mohapatra, 2009, Emerging Issues in Rural Credit, The Microfinance Review: Journal of the Centre for Microfinance Research, Volume 1, Number 1, p 2
[vii] Considering the branches of Scheduled Commercial Banks only
[viii] Around 36.09 percent of population in Assam living below the poverty line
[ix] The impediments relates to both supply related issues like lack of appropriate financial services for those that are excluded by the traditional instruments and demand related limitations like the low level of commercialization, difficult terrain, poor and costly transport, sparse population in the hilly areas, scattered villages, poor infrastructure, high level of grants per capita and traditional ethnic tribal culture where need for savings and credit is limited.
[x] On April 28, 2006, the Reserve Bank advised the convenor banks of the State Level/Union Territory Level Bankers' Committees (SLBC/UTLBC) in all States/ Union Territories to identify at least one suitable district in each State/Union Territory for achieving 100 per cent financial inclusion by providing a "no-frills" account and issue of General Credit Card (GCC). They were also advised that on the basis of experience gained, the scope for providing 100 per cent financial inclusion may be extended to cover other areas/districts. The SLBCs/ UTLBCs were further advised to allocate villages to the various banks operating in the State for ensuring 100 per cent financial inclusion and also to monitor the progress under financial inclusion in the meetings of the SLBC/UTLBC from September 2006 onwards. Source: RBI, 2007-08, Annual Report, p 194
[xi] It is summation of total number of Scheduled Commercial Banks, Public Sector Banks and Nationalised Banks as at end-March 2010

[xii] As per the Census Report 2011, the Provisional Population total of Assam is 3,11,69,272.
Computed by dividing Provisional Population total of Assam available at (http://censusindia.gov.in/2011-prov-results/prov_results_index.html) and dividing the same by total number of Bank branches (i.e. Scheduled Commercial Banks, Public Sector Banks and Nationalized Banks) at end-March 2010.

[xiii] *NEDFi :* North Eastern Development Finance Corporation Ltd. (NEDFi) was incorporated under the Companies Act (1956) in the year 1995. NEDFi aims to be a dynamic and responsive organization to catalyze economic development in the North-East by identifying financing and nuturing eco-friendly and commercially viable industrial and infrastructure projects in the region. The Corporation offers various products to the entrepreneurs in a quick and hassle free manner. The products are:
(a) Project Term Loan
(b) Equipment Finance
(c) Equity Participation (for innovative & highly promising projects)
(d) North-East Equity Fund (for small local entrepreneurs)
(e) Merchant Banking Services
(f) Assist in Entrepreneur Development and Development of Market for NE Products.
(g) Assist Techno-Economic Feasibility Studies for National and International Funding.
Source: http://finmin.nic.in/the_ministry/dept_eco_affairs/budget/annual_report/9900ea2.PDF

[xiv]Guidelines for implementation of the scheme have since been received from Reserve Bank of India vide their Circular letter No. RPCD.No.PLFS.BC..72/05.04.02/2007-08 dated 23rd May 2008.

[xv] Salient features of the Kisan Credit Card Scheme
The eligible farmers are to be provided with a Kisan Card and a pass book or a card-cum-pass book with revolving cash credit facility involving any number of drawals and repayments within the limit. The limit should be fixed taking into account entire production plus ancillary activities related to crop production for full year. Further, operational land holding, cropping pattern and scale of finance should also be considered while fixing the limit. The Card is valid for 3 years subject to annual review. Here, each withdrawal should be repaid within 12 months and conversion or reschedulement of loans is also permissible in case of damage to crops due to natural calamities. In case of KCCs security, margins, rate of interest are fixed as per RBI norms. As regards operations, it may be done through issuing branch or at the discretion of bank, through other designated branches. Withdrawals can be made through slips/cheques accompanied by card and passbook. CBs/RRBs/Co-operative Banks are implementing the scheme. Personal Accident Insurance Scheme has been made effective for KCC holders w.e.f. 01 April 2002. The banks can now extend both production and investment credit through KCC as the scope of the KCC scheme has been broadened to cover term loans for agriculture and allied activities also.

[xvi]For providing an incentive to banks for issuing the GCCs, fifty per cent of credit outstanding under GCC up to Rs.25, 000 has been made eligible for being treated as indirect agricultural finance under the priority sector lending as per the directions of RBI. Further, RBI directed banks in May 2008 to classify 100 percent of the credit outstanding under GCCs as indirect finance to agriculture sector under the priority sector with immediate effect. Source: RBI, 2007-08, *Annual Report*, pp196, 197.

[xvii] Self Help Groups (SHGs) have become the common tool of development process, converging all development programmes and is fundamentally the largest micro finance programme in terms of outreach in the world and many other countries are eager to implement this model.

[xviii] RBI/2005-06/288 DBOD.No.BL.BC. 58/22.01.001/2005-2006

[xix] RBI/2009-10/238 DBOD.No.BL.BC. 63 /22.01.009/2009-10

[xx] SBI 'Tiny Card' accounts operates with fingerprint identification through the use of mobile phone or Point of Sale devise, fingerprint scanner and printer and provides savings, recurring deposits, overdraft and remittances
KIOSK banking is internet based and bio-metrically enabled facilitation online and real time banking transactions and cost effective if existing infrastructure like with Common Service Centers is utilized
SMS-based mobile phone technology uses low end mobile with PIN and signature booklet without biometric. In this technology the customer gets acknowledgement via SMS. This technology excludes cost of POS, card, PC-kiosk and fingerprint machines
Source: SBI, 2009, National Initiatives For Financial Inclusion, September 18

[xxi] A NBFC-MFI may be defined as "A company (other than a company licensed under Section 25 of the Companies Act, 1956) which provides financial services pre-dominantly to low-income borrowers with loans of small amounts, for short-terms, on unsecured basis, mainly for income-generating activities, with repayment schedules which are more frequent than those normally stipulated by commercial banks and which further conforms to the regulations specified in that behalf".
Source: RBI, 2011, Report of the Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector, January, p6.

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